C5150-2

DRUG STORE NEWS®

SECOND CLASS

Vol. 11/No. 10 **Our 61st year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. May 15, 1989

ANNUAL REPORT PART 2

HAIR CARE
AISLE 2
PHARMACY
NO SMOKING

Health and beauty segments drive 10-percent advances

Drug chain merchants can accurately point to a single overriding reason for their impressive double-digit sales gains this past year: A disciplined large-scale rediscovery of core health and beauty categories which keep them distinctive in the marketplace.

The 10 percent advance rung up by chain stores, to $36 billion in 1988, reflects aggressive efforts by retailers nationwide to reemphasize these departments valued most by convenience-minded customers. Among them: pharmacy, OTC drugs, toiletries and cosmetics. Many operators also found high productivity in such general merchandise as stationery, photo and candy, which do well in the quick-visit, high-impulse environment of a drug store.

Pharmacy, for example, led the charge with a nearly 14 percent increase in volume. The department contributes almost 30 percent of chain drug sales, and is steadily moving into an even higher marketing profile through patient consultations and

Continued on page 59

NEWS IN BRIEF

Perry names new CFO

PONTIAC, Mich. — Perry Drug Stores has named Jerry Stone to replace Richard Barker as senior vice president and chief financial officer. Barker has returned to Washington, D.C. to pursue other business interests, according to the company.

Stone, 57, last worked as vp-manufacturing and a member of the executive committee with Talon, an early investor in F&M Distributors. From 1980 to 1986 he was vp-finance and cfo for Kuhlman Corp., and he has also worked as a partner with Arthur Andersen & Co.

"Jerry Stone brings to Perry a wealth of financial experience with particular emphasis on retailing," noted Jack Robinson, Perry chairman and ceo.

Revco elevates Barone

TWINSBURG, Ohio—Revco D.S. has promoted Dante Barone to the new post of vp-pharmacy marketing, where he will continue to direct Rx buying, pharmacy-related marketing efforts and Rx computer systems development.

"Establishing an officer-level position in pharmacy marketing exemplifies Revco's commitment to developing pharmacy services that meet the diverse health care and information needs of our customers," said executive vp-marketing Jim Adamson.

Barone, 45, was a senior buyer and 25-year veteran at Walgreen Co. before joining Revco last year as divisional vp-pharmacy marketing. At Walgreens, he was in charge of all pharmaceutical and home health care purchasing, and earlier worked as a buyer and pharmacist for the chain.

O&M to buy hospital DC operator

RICHMOND, Va. — Owens & Minor has reached a definitive agreement to purchase National Healthcare & Hospital Supply of Orange, Calif., which operates eight medical/surgical distribution centers in western states. National Healthcare's annual sales exceeded $250 million.

The transaction, subject to regulatory approval, will advance Owens & Minor's efforts to deliver greater efficiencies in the medical supply market and increase its market coverage.

In a separate matter, Owens & Minor announced relocation of its corporate headquarters to the Innsbrook Corporate Center, 4800 Cox Road, Richmond, Va. The wholesaler's previous street address was 2727 Enterprise Parkway in Richmond.

Coach Holtz to address McK execs

PHOENIX — Leo Holtz, head coach of the 1988 national champion Notre Dame football team, will be the keynote speaker at McKesson's annual National Management Conference here May 20-24.

Cover photo: Genovese's Great American Drug Store, Carle Place, Long Island.

IN THIS ISSUE

Features

Alco's DCs try talking to each other 29
Birch 3,000 Valu-Rite member 30

Beauty Trends

DrSN institutes cosmetics, fragrance council 36
Beauty Beat 41
Category in Motion 42, 44

Trends

Drug chain ads looking more professional 51,52

Annual Report Part II

Executive comments 60
Store formats 73
Categories 75–103

Inside Pharmacy

Cohen's Capsules IP3
Washington Perspective ... IP4
Congress considering bills to ax catastrophic coverage IP4
Statewire IP6
Drug Watch IP8
Price Scan IP8
Health Talk IP12
Annual report on retail pharmacy IP15
You Be the Judge IP40
Photo pages on NWDA, FMI, and APhA conferences .IP42, IP44
Independent Focus IP46
C.E. Lesson on peptic ulcers . 53
Rx/OTC Product Updates .IP50, IP58

Departments

Technology Today 8

Opinion

In the Market 12
The Human Side 12
SAMI Report 34
Product Updates 54, 56
People in the News 181–186
Store Manager Training 190
Technology Updates 192
Supplier News 192
Finance 196

Pharmacy
Jewel Osco

Pharmacy at the Irving Park Road Jewel-Osco is set within an alcove at the right rear corner to anchor the non-food side of the store.

New Jewel-Osco combos feature a massive cosmetics presentation on a wide power aisle, with a service counter and recessed lighting for in-line pegboards.

Customers at the Dunning Plaza store on Irving Park Road were treated to free makeup consultations and mini-facials in the cosmetics department.

In-line sections and perimeter departments are clearly marked in Osco stores, with suspended signing and updated graphics.

Like other service departments, the photo counter at the front of the store did a brisk business on opening day.

American draws big crowds as Chicago Jewel-Oscos debut

CHICAGO — With grand opening circulars, price specials and giveaways luring big crowds, American Stores held grand openings for two new Jewel-Osco combo stores here in late April. The openings give Osco nearly 150 drug stores—both freestanding and combo—in the greater Chicago area.

At the openings, Terry Hanson, American Drug Stores president, reaffirmed the company's commitment to combo retailing. "Our goal is to open combos wherever possible, and we wouldn't close a pharmacy in a Jewel-Osco even if it didn't do well."

The newest stores, which opened within a week of each other on Chicago's northwest and southwest sides, contain all the earmarks of the two-year-old Jewel-Osco prototype. That format blends the bright color schemes and decor of both Osco and Sav-on drug stores, and includes a number of recent innovations on the drug side of the store.

Among them: a prominent, center-aisle service cosmetics department running the full length of the store; a large pharmacy within an alcove at the rear, complete with a patient waiting area and fronted by a wide power aisle; bold, suspended department signs that clearly set off perimeter sections; and a prominent photo service section at the front of the store.

"We've taken the best of both Osco and Sav-on and put them together," said Stephen Mannschreck, vp in charge of Osco's Chicagoland region.

On the grocery side customers are exposed to a variety of service boutiques for deli, seafood and other items.

OPINION

What's in a name? Only an identity. . .

IN THE MARKET

BRUCE BUCKLEY

What's in a name? Plenty.

American Stores' decision to restore the primacy of the Sav-on name in Southern California, Nevada and Arizona after trying to blend the 175-store Sav-on into a single nationwide chain of Osco stores is one more example of the perils of tampering with long-established identities.

Tinkering with fading names, package designs or tastes is one thing. But playing around with a product name or a company identity that has a long history of success with consumers and continues to project a strong, clear image can be fatal.

Coca-Cola's brief flirtation with a new, substitute taste for its traditional drink showed just how damaging such decisions can be. The reaction of loyal Coca-Cola drinkers was loud and swift. But the company had the presence to turn what could have been a disaster into a marketing triumph by restoring the traditional taste in its Coca-Cola Classic.

I suspect a less violent reaction from Southern California consumers to American Stores' original logo change, which saw Sav-on become a virtual footnote to the bold and dominant Osco. But their message to American Stores must have been less "laid-back" than we have come to expect from Southern Californians.

The company isn't giving out any specifics on why it decided once again to elevate the Sav-on name to full stature, but it seems likely that the main reason was that consumer coolness to the unfamiliar Osco name was reflected at the cash register.

American Stores and its Osco drug chain (now called American Drug Stores) are spending a bundle of money to reintroduce the Sav-on name to Southern California consumers. The investment will be well worth it if it restores and reinforces Sav-on's strong regional identification with its customers.

Playing around with a product name or a company identity that has a long history of success with consumers and continues to project a strong, clear image can be fatal.

And like Coca-Cola's masterful stroke, the end result could turn out to be an even more powerful statement.

* * *

Speaking of name changes, the news of the pending retirement of David Mahler, Lebhar-Friedman's editorial director and a force in the chain drug industry for many years, brings to mind the decision of more than a decade ago to change the name and format of Lebhar-Friedman's drug publication. Mahler, a strong-minded individual with a sure sense of reader needs, was influential in transforming *Chain Store Age (Drug Edition)*, a highly successful monthly magazine, into *Drug Store News*, a bi-weekly newspaper.

The change was as risky as American Stores' later transformation of Sav-on to Osco. Editorial experts say that you don't fool around with successful publications. But Mahler foresaw accelerating industry changes and a growing appetite for news. Despite some early reader unhappiness with the new format, Mahler and Lebhar-Friedman persisted in the development of *Drug Store News*.

Today, thanks to these early efforts, *Drug Store News* remains the leading publication in the retail drug industry.

Walton orchestrates staff involvement

THE HUMAN SIDE

AL HELLER

We got designer jeans and
bush bake beans at Sam's.
We got diamond rings
and 14 karat things.
We got VCR's and
things for cars at Sam's.
Well you can bring your mother,
even your brother to Sam's.
But not all the rest. You're
only allowed two guests.
We got coffee and tea and
you can see me at Sam's.
Well the checkouts are fast and
you won't lose your -- at Sam's.
Sam's, Sam's Wholesale Club.

The lyrics won't make Billy Joel shiver. But they're beautiful music to the prideful hourly employees who wrote them. And they're testimony to the teamwork, camaraderie and positive working environment developed by Sam Walton and his chain of command at this Wal-Mart division.

I witnessed this extraordinary sing-along of more than 300 people (including corporate brass, 100 hourlies on the club staff, vendors and special guests) some time ago at a Sam's opening in Nashville, and it has never left me. Short of a major sporting event or political demonstration, I've rarely seen such enthusiasm in a crowd. I have never before and never since seen this spirit at a retail company.

How can Walton's team build this *sheer joy of being there* when few others can? Involvement.

Workers are entitled to profit sharing, and it's not uncommon for low-level staffers to build healthy five-and-six-figure retirement nests. The posted stock price is updated daily in Wal-Mart stores to remind all associates of their personal investment in the retailer's well-being. At store openings, Walton tells hourlies: "Let's protect our jobs. No taking merchandise out of here that doesn't belong to you. We're talking about your future. You folks have got to be profitable quick. Will you do that?"

The hourlies at the club were treated to a morale booster by Walton's team immediately after the sing-along. "Don't you appreciate the person standing next to you?" one of Walton's guard exhorted the crowd.

Sam Walton, human relations maestro.

'Don't you appreciate the person standing next to you?' one of Walton's guard exhorted the crowd. 'Well, tell them!'

"Well, tell them!" They did.

He continued: "If you don't feel you're treated right, tell your boss. If he doesn't help you, tell me. If I don't help you, tell Sam Walton. If he doesn't help you, you're probably wrong."

This approach seems anything but wrong. The hourlies couldn't wait for the steel door to roll up so they could begin producing their $1 million-plus volume per week. Before that could happen, though, vice chairman Jack Shewmaker, since retired, recounted for all to hear how Walton hired him 16 years earlier: "I was out of a job with three little kids. I traveled a few hundred miles to some retail chain . . . left with an offer, thinking I wanted to do more than that, and was most of the way home when Sam Walton called and got me to meet him by asking, 'would you meet me halfway?' He was a multimillionaire. I was unemployed. So I met him. He came in his old clunker Chevy and me in my new Buick. We met at a Howard Johnson's Restaurant in Joplin, Missouri."

Here comes the lesson. "Can't we meet each other halfway? And can't we meet our customers more than halfway?" Shewmaker said.

Enthusiastic, well-trained store staff are every retailer's best bet for winning over customers. Realistic drug store operators know they can't expect employees to treat shoppers any better than they are treated themselves. This is more than altruistic, it's common sense. At Sam's, for instance, the positive attitude helped grow the chain to more than 100 clubs since its inception earlier this decade.

DRUG STORE NEWS®

is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
212-371-9400
Subscription Services, ext. 379 or 419
Cable Address: LEBHAFRIED
Panafax: 212-838-9487

VP/Publisher JAY FORBES
Editor BRUCE BUCKLEY

Executive Editor Al Heller
Senior Desk Editor Paul W. Cockerham
Special Projects Editor Elizabeth Parks
Editor/Inside Pharmacy Harold Cohen, R.Ph.
Senior Editor David Vaczek
Associate Editor Susan Bell
Desk Editor Bernadette Casey
Assistant Pharmacy Editor Barbara White
Field Editor Christine Bizzarro
Bureau Editors:
James Frederick (Sr. Editor, Chicago)
Pamela Krein (Assoc. Editor, Los Angeles)
Ken Rankin (Bureau Chief, Washington)
Deane Evans (Washington)

Assoc. Publisher/Nat'l Adv. Mgr. JILL MANEE
Area Managers: Dan Began, John Kenlon & Larry Krongold
Advertising Production Mgr. Jack Degnan

Art Director Bob Brokman
Graphic Artist Frank Bele
Circulation Director Ken Turtoro
Circulation List Manager Vicki White (ext. 331)
Production Director Stan Kaufman
Research Director Anne Frasciello
Executive Director Circulation Ed Hessel

Group Publisher, *Drug Store News*
C. Reese Musgrave

Board of Advisers
Judie Doherty, McKesson Corp.
David Eisenberg Peoples Drug Stores Inc.
Don Gross Genovese Drug Stores Inc.
Gary Hendren SupeRx Drugs Corp.
Jeffrey Fantle Fantle's
Frank Newman F & M Distributors
Ron Schiff Pay Less NW
David Schwartz Perry Drug Stores
Phil Weinstein Affiliated/Associated Drug Stores
Gary Wilber Drug Emporium
Ron Ziegler NACDS

Board of Pharmacy Advisers
Ken Anderson Medicare-Glaser Corp.
Marty Belitz Shoppers Drug Mart
Don Bell Thrift Drug Co.
Dick Boyd Longs Drug Stores Inc.
Bruce Briggs NACDS
Paul DiGrazia Safeway Stores Inc.
Phillip R. Engle Bergen Brunswig Corp.
Joseph Polastri McKesson Corp.
Saul Schneider K&B Inc.
Bob Shapiro Perry Drug Stores Inc.
Charles W. Trefrey NWDA
Robert King, FoxMeyer Corp.

Founder (1900-1981) Arnold D. Friedman

President J. Roger Friedman
VP/Publication Services Barry Braverman
Sr. VP/Group Publisher
James T. deGraffenreid
VP/Planning Harry A. Estes
VP/Publisher Jay Forbes
VP/Finance James Granato
VP/Human Resources Richard D. Groberg
VP/Editorial Director David Q. Mahler
Sr. VP/Group Publisher C. Reese Musgrave
Treasurer Barry Olsun

REGIONAL OFFICES
Boston 1 Gateway Center, Newton, MA 02158, 617-527-6394
Regional Manager: James Melver
Chicago 444 N. Michigan Ave., Chicago, IL 60611, 312-644-6688
Area Manager: Betsy Ventura
Los Angeles 606 N. Larchmont Blvd., Los Angeles, CA 90004, 213-464-8321
Area Manager: Tom Flavin
Washington 117-35 Striley Drive, Ashton, MD 20861, 301-774-3895
Manager, Correspondent Ken Rankin
Japan Diamond-Friedman Ltd. Chain Store Age Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan, 504-6750

Publisher of Drug Store News, Accounting Today, Discount Store News, Nation's Restaurant News, National Home Center News, Computer&Software News, Chain Store Age Executive (with Shopping Center Age) and *APPAREL merchandising*. Affiliates: Business Guides Inc. (Directories); Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

Subscriptions
Call (212) 371-9400, ext. 379 or 419.
Having a problem with your subscription? Send us full details, including the mailing label from the last copy you received, along with your telephone number. We'll do everything possible to solve the problem at once. Write to Circulation Fulfillment Director, Drug Store News, 305 Madison Ave., Suite 535, New York, NY 10165-0079.

Permissions
Materials in this publication may not be reproduced in any form without written permission. Requests for permission should be directed to Jay Forbes, publisher, Drug Store News, 425 Park Ave., New York, NY 10022.

SPECIAL SAMI REPORT

Seasonality leaves mark on health and cosmetic products

PRODUCT TRACKING

ALAN MILLER

Seasonality index trends for each of the 13 28-day periods and classes of health-oriented products tend to peak during the fall and winter, while those with more cosmetic overtones are more heavily purchased during the spring and summer.

In some instances there are wide variations in the level of volume in the peak period as compared with the trough. Combining trends in 1987 and 1988 in the suntan lotion/suntan oil category, the index for the 28 days ending in late March is 292, while sales in the period ending Nov. 4, 1988 represent only 9 percent of volume in the average period in the year—a range of 283 index points.

However, in the category of laxatives and stool softeners, there is also a peak in the March period, but it measures only 106 and compares with a low of 95 found both in the period ending Sept. 9 and the year's-end period.

In some categories there is a high degree of consistency between seasonal peaks and valleys in the two years of national drug store sales under scrutiny.

In the eye care products category, for example, the most pronounced difference in the index level comparing 1988 sales performance with 1987 is a 9 point differential in the SAMI reporting period ending Feb. 26. The index level in 1987 was 93, meaning that sales were 7 percent below the average for the year, while in 1988 the index reached 102, suggesting that the sales level was 2 percent higher than for the average four-week period.

However, among synthetic vitamins, there is a 26 point difference in the seasonal indices for the two years in February, from 129 in 1987 down to 103 in 1988.

Seasonality in the sale of health and beauty aids is a relative designation and there are a number of factors which can obscure the true seasonality in a product category.

In some cases the sales pattern is the result of weather. Extreme winter conditions can bolster the sale of lip care products, and particularly hot and humid weather can lead to a bump in the sale of antiperspirants and sunscreens.

The launching of a strong new product can interrupt normal buying patterns and cause a bump, and conversely the phase-out of a product or group of products can pull down sales in an entire category in a particular month.

The degree of seasonality for a particular reporting period is subject to the influence of special promotions which are not necessarily scheduled at identical times each year. Any promotional activities associated with Easter or Passover fall at different times from one year to another.

Just as there are major variations in seasonal patterns on a national basis, it should be kept in mind that there can be significant differences in the importance of seasonal factors from one market to another.

To dramatize the significance of such market-by-market fluctuations, we have selected the highly seasonal category of cold remedies. For each of SAMI's 54 markets, we have identified two peak periods. The first peak starts off the season as retailers stock in anticipation of consumer demand, and the second peak coincides with the period when consumer demand is at the highest level.

The timing of each of these crests from one market to another is important to the marketer, who wants to make certain that promotional levels are timed to match the time when these products are in maximum use.

In 1988, the period with the highest number of markets peeking for sell-in was the four weeks ending Oct. 7, when 37 markets peaked. In nine additional markets there was a sell-in peaking during the four weeks ending Nov. 4; in seven the first peaking took place during the period ending Dec. 30, and in Los Angeles the first peak did not occur until the period ending Jan. 29.

The second crest was found during the four weeks ending Dec. 30, when 28 out of 54 markets had high consumption levels. In the January period 14 more reached secondary heights. Six markets had a high in February; four in March; and two not until April.

Awareness of such market-by-market idiosyncrasies can help the health and beauty aid marketer to plan sales and promotional strategy on a more efficient basis.

Readers wishing to receive a special report on national seasonality trends through drug stores in 26 H&BA categories with annual volume in excess of $100 million can obtain the same by writing to Warren Spence, vp, H&BA Marketing, SAMI, 55 Greens Farms Road, Westport, Conn. 06880.

Seasonality of growth trends by H&BA category, national unit volume basis

(years ending Jan. 29, 1988 and Jan. 27, 1989 and both years combined; average 4-week volume during year = 100)

Category	1/29	2/26	3/25	4/22	5/28	6/17	7/15	8/12	9/9	10/7	11/4	12/2	12/30
Internal analgesics													
1987	111	106	102	95	95	93	92	100	100	109	107	100	94
1988	106	113	106	96	95	88	87	99	102	109	100	98	100
Combined	109	110	101	96	95	91	90	100	101	109	104	99	97
Cold remedies													
1987	140	111	103	95	81	68	59	62	95	133	133	98	115
1988	127	117	102	93	81	70	57	59	92	137	126	105	129
Combined	134	114	103	94	83	69	58	61	91	135	130	102	122
Eye care products													
1987	99	93	92	96	100	107	105	118	105	101	101	92	88
1988	97	102	97	97	98	104	105	114	103	100	102	90	90
Combined	98	98	95	97	99	106	105	116	104	101	103	91	89
Antacids													
1987	108	103	103	99	93	93	94	98	97	102	105	105	101
1988	99	102	102	99	102	96	94	94	96	112	102	101	100
Combined	104	103	103	99	98	95	94	96	97	109	104	103	101
Laxatives & stool softeners													
1987	103	103	105	101	103	101	98	100	96	101	100	99	92
1988	99	107	106	103	102	99	100	97	94	98	100	99	97
Combined	101	105	106	102	103	100	99	99	95	100	100	99	95
Cough remedies													
1987	113	122	104	92	71	59	52	53	75	122	146	132	131
1988	113	120	98	78	73	57	48	51	90	154	132	121	135
Combined	113	121	101	85	72	58	50	52	83	138	139	127	133
Synthetic vitamins													
1987	111	129	103	93	91	84	86	97	104	116	101	92	93
1988	112	103	95	91	94	85	82	105	115	112	106	103	97
Combined	112	116	99	92	93	85	84	101	110	114	104	98	95
Shampoo													
1987	96	101	99	106	109	102	107	101	100	103	105	86	83
1988	99	102	100	104	108	98	98	104	102	99	105	94	86
Combined	98	102	100	105	109	100	103	103	101	101	105	90	85
Hair coloring													
1987	98	91	101	98	99	104	106	105	100	101	101	103	89
1988	94	108	105	105	108	102	101	97	93	96	96	91	94
Combined	96	101	103	102	104	103	104	101	97	99	100	97	92
Toothpaste and powder													
1987	99	109	101	107	96	98	101	100	104	99	101	92	86
1988	98	94	101	109	104	95	105	102	95	96	102	95	98
Combined	99	102	101	108	100	97	103	101	100	98	101	91	92
Hair spray													
1987	110	94	102	99	97	95	96	101	102	102	106	99	98
1988	96	101	112	102	106	105	101	100	98	94	101	89	92
Combined	103	99	107	101	102	100	99	101	100	98	101	94	95
Hand and body cream/lotion													
1987	131	114	113	103	100	79	93	85	85	91	95	96	116
1988	126	107	99	97	92	98	93	82	85	106	103	97	114
Combined	129	111	106	100	96	89	93	84	85	98	99	97	115
First aid antiseptics													
1987	89	85	96	109	128	129	130	117	104	87	79	74	73
1988	107	86	93	104	109	116	128	113	102	95	83	77	87
Combined	98	86	95	107	119	123	129	115	103	91	81	76	80
Natural vitamins, minerals, supplements													
1987	99	132	104	100	92	87	97	104	98	107	100	89	91
1988	109	103	96	93	101	92	95	104	102	109	104	94	100
Combined	109	118	100	97	97	90	96	104	100	108	102	92	96
Cosmetic and medicated skin aids													
1987	91	93	97	101	102	107	111	123	111	104	91	87	78
1988	90	92	98	107	107	105	107	121	114	102	89	85	84
Combined	91	93	98	106	105	106	109	122	113	103	90	86	81
First aid products													
1987	93	98	97	102	115	112	117	110	105	94	91	85	81
1988	92	95	95	102	114	111	116	108	102	100	93	87	84
Combined	93	97	96	102	115	112	117	109	101	97	92	86	83
Facial preparations													
1987	111	98	107	110	96	93	98	101	100	102	103	91	91
1988	105	107	109	110	104	107	98	97	88	98	93	88	97
Combined	108	103	108	110	100	100	98	99	91	100	98	90	94
Hair conditioning rinses													
1987	110	103	101	99	96	96	101	102	101	103	104	94	86
1988	100	105	100	100	104	96	98	105	105	106	101	94	87
Combined	105	104	101	100	100	96	101	104	103	105	103	94	87
Stick deodorants and pads													
1987	93	94	95	98	85	116	99	106	111	115	104	96	88
1988	98	108	105	89	97	99	103	116	97	101	105	90	93
Combined	96	101	100	94	91	108	101	111	105	108	105	93	91
Suntan lotions-suntan oil													
1987	21	62	307	261	220	182	126	55	22	11	8	9	15
1988	89	111	276	193	188	186	125	56	26	12	10	10	11
Combined	55	87	292	227	204	184	126	56	24	12	9	10	13
Nasal spray-drop-inhaler													
1987	121	118	110	104	91	78	71	70	86	113	124	102	112
1988	121	116	106	95	90	79	72	68	88	130	112	100	119
Combined	121	117	108	100	91	79	72	69	87	122	118	101	116
Hair dressing needs													
1987	99	98	97	105	101	100	98	101	96	108	100	100	94
1988	94	104	100	99	111	105	105	101	96	101	94	94	95
Combined	97	101	99	102	106	103	102	101	96	105	99	97	95

Source: SAMI

DRUG STORE NEWS®

Inside the '89 Annual Report Part II

Performance

Executive comments 60
Overview 62
10-year sales trends 62
Category breakout 62
Store format photos 73

Categories

Cosmetics/Fragrances 75
Toiletries 85
Ethnic 89
Greeting Cards 91
Stationery 95
Photo 97
Audio & Videotapes 99
Candy 101
Consumables 103
Tobacco 109
Housewares 113
Toys 115
General merchandise 117
Auto/Hardware 119

HAIR CARE
AISLE 2
NO SMOKING

Health and beauty segments drive 10-percent advances

Continued from page 1

development of the ancillary home health care business.

A continuing trend towards self-medication drives OTCs, where drug stores are well-assorted and staffed to dispense advice. Led by family planning, lens care, feminine hygiene and cough/cold, OTC sales overall grew nearly 10 percent and now accounts for about 15 percent of chain store sales.

Many new store formats, including those of Pay Less NW, Peoples and Perry, give renewed importance to cosmetics as an anchor. While its sales advance in '88 was just 7 percent, the department is relied on to make a fashion statement for drug stores, and cater to both working and non-career women, who together make up 80 percent of the drug store shopping base.

Stationery, especially home office, has secured its place as a core hard goods department at drug stores, as the ranks of small businesses and home-based workers visit often to replenish. This has markedly helped broaden the market of drug store shoppers.

Chain drug industry sharpens marketing, merchandising focus

Drug chains increasingly use food and snacks as a way to attract consumers' fill-in shopping visits between major supermarket trips.

Breakout of 1988 chain drug sales

Department	1988 total chain sales (add 000)	1988 % increase	% of total sales	% gross margins	average turns
Prescriptions	$10,717,156	13.7	29.8	35-40%	6.5
OTC/proprietaries	5,361,565	9.8	14.9	30-35	5.0
Toiletries	3,770,216	9.7	10.5	25-30	5.0
Tobacco	2,364,291	3.8	6.6	15-30	15.0
Housewares	2,244,731	7.8	6.2	35-45	3.0
Cosmetics	1,834,265	7.0	5.1	35-40	2.2
Stationery	1,809,817	10.5	5.0	40-45	4.5
General merchandise	1,780,460	5.2	5.0	35-45	5.0
Photo/video	1,547,323	8.6	4.3	20-25	9.0
Grocery/snacks/soft drinks/liquor/wine	1,526,001	6.5	4.2	15-20	5.0
Candy	1,315,223	10.9	3.7	25-30	7.5
Toys	799,195	8.5	2.2	35-40	4.0
Misc./promotional	882,412	8.0	2.5	15-20	N.A.

Source: *Drug Store News* 1989 survey of drug chains

10-year sales trends

(In millions of $. 1985 base equals 100. 1988 equals 126.7*)

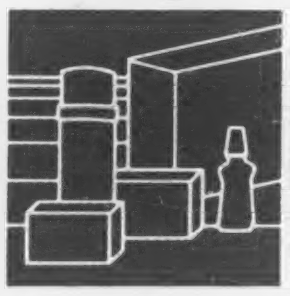
Departments	1979	1980	1981	1982**	1983	1984	1985	1986	1987	1988
Prescriptions	$3,476	$3,983	$4,612	$5,105	$5,927	$6,733	$7,669	$8,475	$9,426	$10,717
OTC/proprietaries	1,964	2,235	2,575	2,879	3,201	3,595	4,087	4,468	4,882	5,362
Toiletries	1,484	1,726	2,020	2,271	2,457	2,742	3,047	3,230	3,436	3,770
Tobacco	1,219	1,354	1,518	1,702	1,806	1,979	2,127	2,205	2,279	2,364
Housewares	920	1,065	1,238	1,389	1,497	1,606	1,676	2,003	2,083	2,245
Cosmetics	708	831	976	1,107	1,205	1,352	1,481	1,605	1,715	1,834
Stationery	689	779	888	987	1,069	1,199	1,352	1,488	1,638	1,810
General merchandise	771	893	1,035	1,146	1,227	1,337	1,416	1,212	1,287	1,780†
Photo/video	587	680	791	891	1,001	1,114	1,235	1,294	1,425	1,547
Grocery/snacks/beer/soft drinks/liquor/wine	645	780	934	1,060	1,123	1,209	1,280	1,335	1,433	1,526
Candy	568	607	674	753	793	892	973	1,067	1,186	1,315
Toys	408	464	533	598	632	672	701	690	736	799
Misc./promotional	382	478	562	579	589	657	724	745	817	882

**Drug Store News* established calendar year 1985 as base year equalling 100. Merchandise growth shown in future census issues will reflect this index.

**Calender 1982 and prior-year figures restated to reflect change in definition of chains from two or more to four or more stores.

†Represents inclusion of auto/hardware figures.

Source: *Drug Store News* 1989 survey of drug chains



The chain drug industry has acquired a distinctly lean and hungry look in the 1980s. Once known for its relative complacency and a generally conservative approach to doing business, the industry has endured a crucible of change over the past decade and emerged with sharply focused programs for merchandising and marketing.

The changes have been powerful enough to sweep many chains and independents off the map. The survivors face a host of challenges. Among them: the increasing segmentation and sophistication of the consumer population; the onset of two-income, time-strapped households; the growth and success of aggressive new hordes of competitors munching on the traditional drug store market—including huge combo stores, deep-discounters, warehouse stores and hypermarkets; and an explosion of new products that clamor for precious shelf space.

With food, discount and deep-discount store chains grabbing traditional drug store market share and eroding the old distinctions between trade classes, most drug chains have made concerted efforts over the past few years to regain their distinctive advantages in the market.

The chains that have survived these challenges are better-run, more responsive to their customers and far more sophisticated in their approach to merchandising and marketing. They have developed better systems for tracking and recording product movement in their stores, and have used the resulting information to refine their buying, merchandising and advertising efforts. They have realigned their operational and management structures to make what happens in the stores the focal point for all operational and support activities.

Thus, like marathon runners, the chains are still in the lead in the sales race for H&BA, Rx, photofinishing, mass-market cosmetics, home office-stationery and greeting cards, but they can hear their competitors close behind, nipping at their heels.

Nowhere is this more apparent than in a recent study of supermarket pharmacy sales trends conducted by Towne-Oller Associates for the Food Marketing Institute. The FMI study showed that food-drug combos now have 13 percent of the U.S. retail pharmaceutical market, worth $2.3 billion. What's more, the study showed that combos were the fastest-growing retail segment of pharmacy, with a 28-percent hike in Rx dollar volume and a 19-percent jump in unit volume last year.

With food, discount and deep-discount store chains grabbing traditional drug store market share and eroding the old distinctions between trade classes, most drug chains have made concerted efforts over the past few years to regain their distinctive advantages in the market. Chief among those advantages, of course, is the priceless aura of professionalism that surrounds the drug store pharmacy.

Speaking of his own company, Walgreen chairman Charles Walgreen III recently noted: "There is no denying that Walgreens operates in a tough retailing environment. On the other hand, I believe that drug store chains—and specifically Walgreens—offer distinct marketing advantages over other forms of retailing.

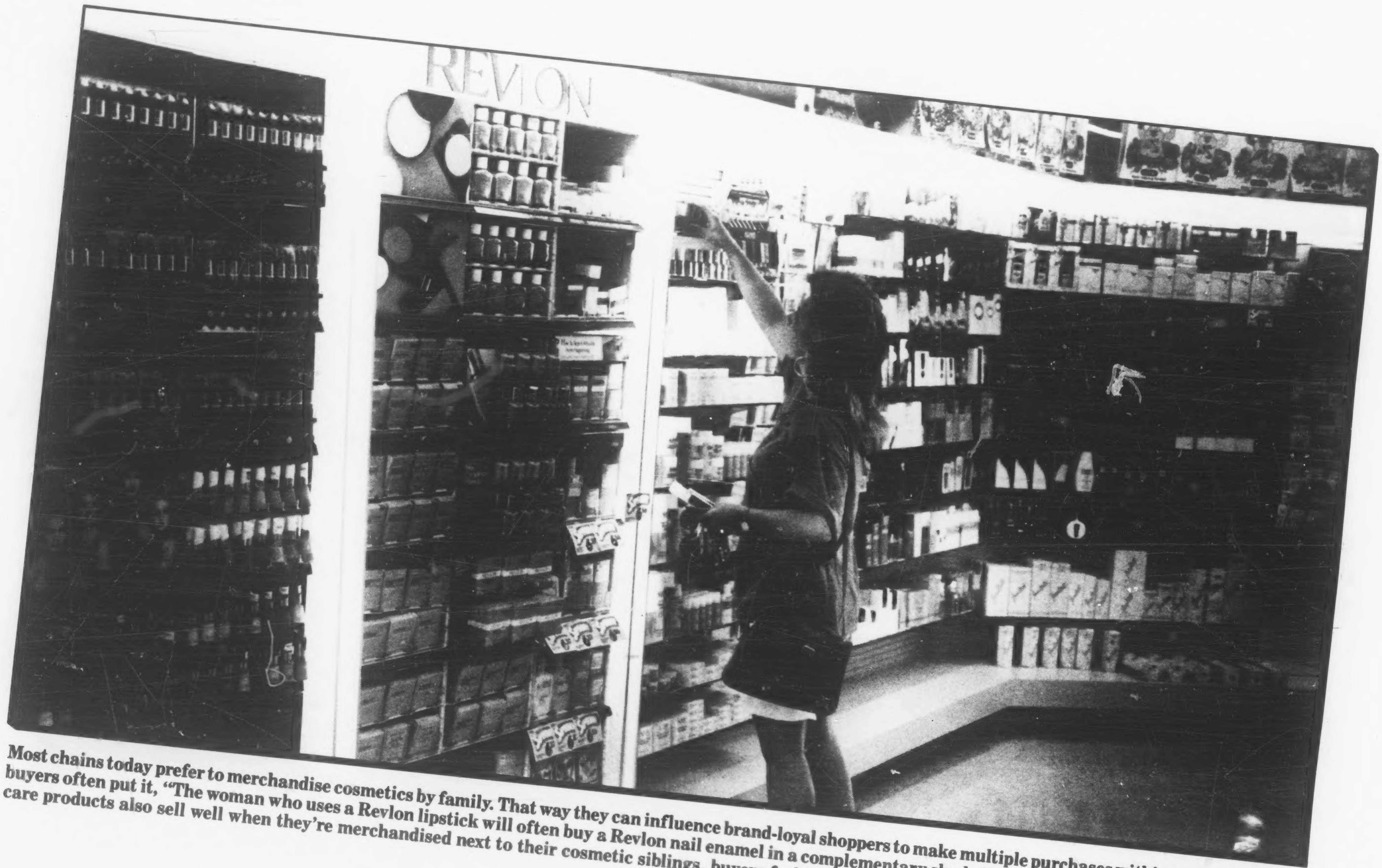
"Beyond the fact that we carry so many everyday, necessary, consumable items, these advantages include a strong health care image, accessible locations, easy-to-shop stores, and fast service."

Walgreen's remarks could serve as a credo for the industry, of course. He went on to note other factors working in favor of drug stores. "These include the time-strapped consumer needing a convenient place to shop, the aging of the population, the increasing number of births, shorter hospital stays, more working

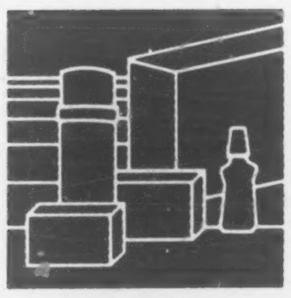
Continued on page 64

Cosmetic and fragrance sales on the upswing

Survey findings show facial treatments as strongest growth segment



Most chains today prefer to merchandise cosmetics by family. That way they can influence brand-loyal shoppers to make multiple purchases within a popular line. As buyers often put it, "The woman who uses a Revlon lipstick will often buy a Revlon nail enamel in a complementary shade if we make it easy for her to find it." Skin care products also sell well when they're merchandised next to their cosmetic siblings, buyers feel.



Cosmetics and fragrance categories sales are showing an upswing in chain drug stores, up 7 percent overall, driven by larger gains in cosmetics and slightly smaller advances in fragrances.

A similar trend was also recently reported by Goldman Sachs, a New York-based financial securities firm that conducts its own semi-annual survey of independent and chain drug cosmetics buyers.

Goldman Sachs gets its handle on sales trends by asking buyers to report how much their fragrance and cosmetics sales have gone up in the most recent six-month period. Its latest survey, released in March, disclosed that 26 percent of the buyers responding felt fragrance sales had increased more than 10 percent for the reporting period.

In its prior survey, released in October, just 9 percent of all buyers reported such a trend.

In this survey, 31 percent of the respondents said cosmetics sales were up 10 percent or more over the same period last year. Six months earlier, only 13 percent of respondents reported that trend.

Drug Store News' findings showed the strongest growth segments to be: facial treatments up nearly 10 percent; eye makeups advanced nearly 9 percent; nail polish and nail treatments up nearly 9 percent; bath preps, also up over 8 percent, and facial makeups, up nearly 9 percent.

New products were definitely responsible for some of the growth, but drug chains also helped improve the picture by making the upgrading of their cosmetics/fragrance departments a priority.

Chains upscaling in '88

In 1988, almost all the major chains were working on either upscaling or fine tuning their cosmetic presentations, including Walgreens, Eckerd, Revco, SupeRx, Thrift, Pay Less, Peoples and Perry.

In some cases the changes were dramatic, such as relocating cosmetics in the front of the store in a boutique configuration, as Peoples has done. In other cases it was more subtle, like taking manicure off the back wall and putting it closer to the front to increase its visibility.

Many of the top chains are also upgrading to the new fixtures that Revlon, L'Oreal and Max Factor now have available. Revlon's Avanti fixture, in particular, is very popular now because of its attractiveness and its flexibility.

Buyers added that manufacturers also helped by creating advertising campaigns that really drove sales. Revlon's new Unforgettable Women campaign and Noxell's new campaign for Clarion Color Cosmetics were particularly singled out as above average.

Continued on page 78

1988 cosmetics department highlights at chain drug stores

Chain drug cosmetics sales	$1,834,265,000
1988 percentage increase	7.0%
Percentage of total chain drug sales	5.1%
Typical gross margins	35%-40%
Industry profit yield from cosmetics last year	$645,000,000-$735,000,000
Average annual department turns	2.2

Source: *Drug Store News* 1989 survey of drug chains

1988 cosmetics department productivity at chain drug stores

Category	1988 total sales (add 000)	1988 % increase	% of category sales
Fragrances	$ 537,587	5.0%	29.3%
Toilet water/cologne	416,275	5.1	22.7
Perfumes	92,211	1.5	5.0
Body sprays	29,101	3.9	1.6
Budget/pegged cosmetics	431,076	7.3	23.5
Nail polish/nail preps	188,099	8.8	10.3
Bath preps	158,328	8.2	8.6
Lipstick/lip color	153,764	6.9	8.4
Eye make-ups, shadows, pencils, mascaras etc.	146,462	8.7	8.0
Facial treatments excluding eye make-up	115,351	9.9	6.3
Make-up, powder, cream/liquid	103,598	8.9	5.7
Total	$1,834,265		

Source: *Drug Store News* 1989 survey of chain drug stores

Wellby Drug uses endcap to full effect to make a fashion statement in cosmetics. The presentation is varied, but not cluttered, and the header cards on the pre-packs help sell the product by telling their fashion story.

Cosmetic and fragrance sales up

Continued from page 75

In terms of brands, Revlon, Cover Girl and L'Oreal continue to be the strongest lines in most chain drug stores. Maybelline and Almay, however, are also singled out as above average, and Max Factor has been making a comeback with the launch of such innovative new items as No Color and Clear Mascara and Satin Splendor.

Specialized lines

Among the specialized lines, Aziza is reportedly doing an outstanding job with its eye care brands, and some buyers said its new Contact Lens Cosmetics line is starting out strong. Cutex and Sally Hansen are both doing well within nail color and nail treatment, and Rubigo has been picking up expanded distribution for its specialty line of color cosmetics for the face.

According to buyers, Revlon has done very well with its launch of New Complexion makeup as well as its anti-aging lotions and gels. New fashion eye and lip pencils are also doing well, as is Sheer Tints mascara. Buyers said sales of Revlon nail and grooming implements are also up significantly.

Cover Girl has also had some strong launches. Among them were Soft Radiants Sheer Color Blush and Oil Control Truly Fresh Blush, which buyers said are off to a strong start, and replenishment creams and Lash Mascara Primer.

Cover Girl's sister line, Clarion, is also picking up in sales. Most buyers said that since Clarion's new ads broke, sales have been very strong for the color line; early reports on the skin line indicate that Clarion has scored another success.

Maybelline seems to have a good launch going with Sheer Essentials makeup. Buyers report strong movement with the brand's mascara, eye liner pens, eye shadows and nail colors.

Almay has always done well with its treatment products. Buyers noted that Almay's facial makeups are also selling well, but its nail and eye color lines are not turning as fast.

L'Oreal's Lash Out mascara is on just about everyone's list as a best seller. Its Visuelle makeup, according to most buyers, is holding strong in the face of growing competition.

Early reports on its new Mattique Illuminating Matte makeup and Plenitude skin care lines are also positive.

New fragrance launches

In fragrances, the category has been helped by some strong new product launches, particularly Prince Matchabelli's Hero launch for men and Coty's Ex Cla Ma Tion launch for women. Most buyers also say Revlon's launch of Trouble also went over well.

In terms of overall best sellers, the picture hasn't changed too much from last year. Vanderbilt is still at the top of just about everyone's list for its best-selling mass fragrance. Lady Stetson is still doing well, and Charlie is doing better than it has in a long time, buyers said. Sand & Sable is consistently mentioned as a strong seller for those who carry the line. Primo seems to be getting even stronger as a brand in its own right. Very few buyers describe Primo as a knockoff anymore.

Designer fragrances are also selling very well in chain drug stores whenever buyers can get them. Passion is particularly hot, and Obsession is still very much in demand.

In men's fragrances, Stetson is still the clear leader in mass. Some chain buyers said Chaps may have slipped a little, while others said it is still doing as well as ever. Some chains report that Adidas is doing much better this year, while others who give it less attention remain lukewarm on the brand.

Old Spice and English Leather still dominate after shaves. Jovan Musk for Men is doing very well, buyers said.

TEN·O·SIX
10·0·6
LIGHT
CLEANSER TONER
FOR DRY SKIN
BONNE BELL
LIP SMACKER
TWIN POP
GRAPE
Strawberry
friday!
TEN·O·SIX
10·0·6
LOTION
ANTISEPTIC
DEEP CLEANSING
SKIN LOTION
BONNE BELL
SKIN

Teens have been putting us on for over 50 years.

Nobody makes better teen beauty products than Bonne Bell. Nobody targets the teen market better than Bonne Bell.

It all started 53 years ago with our famous Ten-O-Six Lotion.® It led the way with skin care products designed for teens. And it's still a leader today.

Today, our fragrances are capturing the sweet smell of success. Like our newest floral fragrance, Friday. And our Skin Musk that's getting more popular—and more profitable—every day.

Our fresh, fashionable line of cosmetic and color products is specially designed to appeal to teens. Our timely promotions are designed to move them. Like our annual back-to-school promotions that are sure to make the grade.

We talk to teens. In their language. Consumer ads in the books they read. And believe in.

So put Bonne Bell in its place: on your shelf. Call your representative today.

BONNE BELL®
Georgetown Row, Lakewood, O.H 44107 (800) 321-1006

© 1989 Bonne Bell

Harco Drug uses a compact floor display to stimulate impulse sales for jewelry. Signage that highlights discounted prices also helps.

Nail Care Accessories
3
Understand Your Medication
cookies
1.00
1.89
1.39
3.99

Adjacencies are important for stimulating related sales in the cosmetics department. Here Peoples makes sure hair, skin and bath are as close to color as possible.

Locating hosiery close to fragrances is a clever way to pull traffic into the department. Locating high-turning hosiery right next to high ticket/high margin fragrances is an effective profits producer.

An island display is the best way to feature fragrances in chain drug stores, its impact and fashion image reinforcing the brand's mystique.

Skin care introductions jumped sharply in 1988

PRODUCT INNOVATION

RICHARD LAWRENCE

The big news in skin care during 1988 was the FDA's move to restrict anti-aging claims. Even people in the industry called for moderation, warning that consumers were being confused and turned off by the increasing complexity and overpromise of some claims.

In the short term, whatever the effects on packaging and advertising claims, the controversy did not lessen the number of new products. After edging upwards in 1987, skin care introductions jumped sharply in 1988, one of a minority of product categories which bucked the trend in a year in which the total number of new H&BA items actually declined.

The effect of FDA pressure was evident in 1988 in the flattening rate of skin care introductions claiming anti-aging benefits and a corresponding resurgence in introductions with more verifiable claims, such as moisturizing.

In 1988, for example, moisturizing product introductions soared to 83 from 62 a year earlier. Anti-aging product entries skipped down to 38 in 1988, compared with 39 in 1987.

Recently we've seen a trend to develop products which deliver combination benefits or tackle more than one problem. Working women with hectic lifestyles demand the added convenience of a single product that does everything, rather than time-consuming regimens involving several items in a line.

Except for some growth in new products that include eye and lip treatment, this has not resulted in major changes in the claimed uses for skin care products. The face and body are the most important areas of use, followed by hands.

The industry has a reputation among critics of promoting unfamiliar ingredients in support of quasi-therapeutic claims. This may be one area where reality has been overshadowed by the perception created by a few offenders.

Trends in mentions of specific ingredients don't show an increasing variety or major swing to exotics. The biggest gainer was collagen, with 17 product entries in 1988, up from 12 in 1987. Among other selected ingredient mentions, aloe vera, vitamin E, elastin, hyaluronic acid and vitamin A showed flat trends in products introduced containing them.

The perennial opportunity in the very active and competitive skin care market, according to many industry commentators, is the men's market. That may be so, but new product marketers have yet to act on the message. Successes in the mass market for men's skin care are very few, and what little new product activity that has been reported has been with upscale department store brands.

Richard Lawrence is president of Marketing Intelligence Service Ltd., Naples, N.Y.

Skin care introductions

1984	143
1985	142
1986	180
1987	194
1988	239

Source: Marketing Intelligence Service

Claimed usage: Skin care introductions, '84—'88

(Percentage of total mentions)

Face	33.1
Body	33.1
Hands	14.7
Eyes	9.8
Lips	9.3

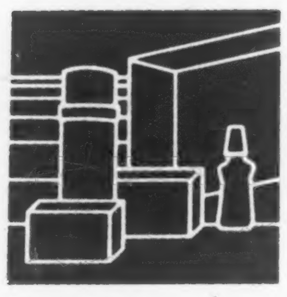
Source: Marketing Intelligence Service

Men's skin care introductions

1984	[illegible]
1985	[illegible]
1986	6
1987	11
1988	7

Source: Marketing Intelligence Service

Toiletries rise 10%; chains expand skin care



Overall, toiletries sales in chain drug stores were fairly strong throughout 1988, climbing nearly 10 percent, according to a *Drug Store News* industry survey.

The strongest growth categories were sun tanning and sun protection, face creams and lotions, hand/body creams and lotions, styling aids, hair sprays, shampoos and conditioners (particularly the prestige shampoos and conditioners), baby lotions and oils, and bath products.

Skin care sales in chain drug stores were up about 16.4 percent for the year, largely due to new product introductions and greater merchandising efforts by retailers.

Many chains today are expanding skin care departments, adding more space to accommodate new lines and line extensions. They are also experimenting with the way they merchandise skin care, often giving multiple placement to product in both a mass and a cosmetic skin care section, and often giving skin more featured display space, particularly with prepacks that go into the cosmetic areas.

Growth lines

Many buyers said they are finally starting to see strong growth in their franchised lines and mass market brands. Many attributed this growth to merchandising changes that help make the category more visible and accessible in their stores.

Some chains like Duane Reade in New York are experimenting with in-line franchised skin care departments located near cosmetics. Others like Perry Drug in Detroit have expanded their mass skin care departments to include many of the franchised brands like Revlon Eterna and European Complex as well as Almay, Max Factor and Coty's Overnight Success.

At Revco, the chain has expanded its mass skin treatment section, trying to give its customers a broader selection of product.

At Peoples, cosmetics vp Vicki Williams is currently working on a new skin care set that will help Peoples maximize sales in this rapidly growing segment.

Peoples still hadn't finalized its approach at press time, but Williams says the new planogram will try to organize the skin care department so that customers will find it "easier and more logical to shop." Williams is also considering the creation of a skin care center located close to cosmetics "as one possible direction to take."

Buyers are still singling out Almay as one of their best-selling treatment lines, but they are also reporting that Revlon franchised items are selling well, as is its Clean and Clear mass line. Clean and Clear's sales have probably been helped by Revlon's successful launch of the Clean and Clear hair care line, but Revlon is also in the process of repackaging and relaunching Clean and Clear skin. The line will also be upgraded by line extensions.

The new Clarion skin care line is starting off very strong, buyers said, and L'Oreal's Plenitude has established a good track record in its test and roll-out markets.

In Atlanta, where Plenitude was originally test marketed, Steve Davidson, the cosmetics buyer for Reed Drug (acquired recently by Big B), said it has performed well. Kathy Covault, cosmetics merchandiser for Drug Emporium, also reported that Plenitude is selling very well.

1988 toiletries department productivity at chain drug stores

Category	1988 total sales (add 000)	1988 % increase	% of category sales
Face cream/skin care	$499,222	16.4	13.2
Deodorants	417,491	7.0	11.1
Men's toiletries	400,040	6.0	10.6
Shampoos	391,627	9.1	10.4
Hair color	335,612	7.2	8.9
Ethnic hair/skin/cosmetics	262,191	6.2	7.0
Rinses & conditioners	241,637	8.8	6.4
Razors (incl. disposables)	169,629	8.3	4.5
Hand & body creams/lotions	169,198	15.4	4.5
Hair sprays	158,650	9.1	4.2
Hair notions	139,996	9.3	3.7
Suntan/sunburn	100,304	12.4	2.7
Sun protection	91,713	16.4	2.4
Styling aids	78,538	18.2	2.1
Shave creams	59,317	7.0	1.6
Perms/straighteners	27,023	3.3	0.7
Depilatories	12,936	11.2	0.3
Miscellaneous	215,094	10.0	5.7
Total	$3,770,216		

Source: *Drug Store News* 1989 survey of drug chains

1988 toiletries department highlights at chain drug stores

Chain drug toiletries sales	$3,770,216,000
1988 percentage increase	9.7%
Percentage of total chain drug sales	10.5%
Typical gross margins	25%-30%
Industry profit yield from toiletries last year	$945,000,000-$1,135,000,000
Average annual department turns	5.0

Source: *Drug Store News* 1989 survey of drug chains

With the Clarion skin care line, some chains, particularly deep discounters, are reporting that sales are so strong they can't stay in stock. Clarion began rolling out in February and is currently in about 25,000 doors. Plenitude will roll out nationwide this summer. Del Labs is also in the process of rolling out a new mass skin care line, Rejuvia by Sally Hansen.

Meanwhile, almost every key mass skin care manufacturer has a slew of line extensions hitting the market or just recently launched, including Revlon with Aquamarine, Noxzema with Difrinse, Westport with MoisturEyes gel, Westwood with Keri anti-aging lotion and Moisturel cleansers, Korff with a new skin care line for men, Olay with Sensitive Skin Fluid and Intensive Moisture Complex, and Almay with some more Stress extensions. Even Hazel Bishop is relaunching Lanolin Plus.

Most of the major chains have committed to all of the major new launches, and set aside space for them either in mass or in cosmetics, and they are also giving more space to skin care pre-packs like the Max Factor counter display featuring the new Incredible Blue Mask, which buyers said is selling well.

In some cases, manufacturers have worked with chains to develop more efficient displays. Rubiglo, for example, which is the U.S. distributor for Christy complexion products, collaborated with CVS to develop a more space-efficient display for Christy's single application face packs. The new display could accommodate twice the product in approximately the same space as the original pre-pack.

Like the franchised brands, the mass market brands are also doing well, particularly Olay, Neutrogena, Nivea, Lubriderm, Vaseline Intensive Lotion and Curel. Some buyers also single out such old stand-bys as Palmer's cocoa butter and the Queen Helene moisturizers as also doing well.

Sea Breeze is very popular in some stores, buyers said, as are dual packs of St. Ives' Swiss Formula, especially when they are advertised. Ponds is good and Freeman and West Cabot skin treatments also sell well in many stores.

Other new launches that seem to be catching on very well right now are the Jergens' Eversoft and the new Olay line extension—Olay for Sensitive Skin.

Brands that are primarily advertised through dermatologist detailing are also continuing to do well, especially Lubriderm, Keri and Curel.

Hair care growth

For the first time in several years, the hair care category also showed moderate growth in 1988, easily topping the $1 billion mark at chain drug stores. Once again, buyers singled out styling aids as their fastest-growing hair care segment, up 18.2 percent to $79 million in chain drug stores.

Shampoo sales were also strong for such a mature segment, growing 9 percent to $392 million at chain drug stores. Hair spray sales were also strong, up about 9 percent to $159 million.

Hair color showed more erratic performance, with some chains reporting relatively flat sales and others reporting increases in excess of 10 percent. On average, hair color sales in chain drug stores were up about 7 percent, to $336 million. Merchants have begun to relocate hair color closer to cosmetics, which buyers said is effective because cosmetics clerks can give guidance.

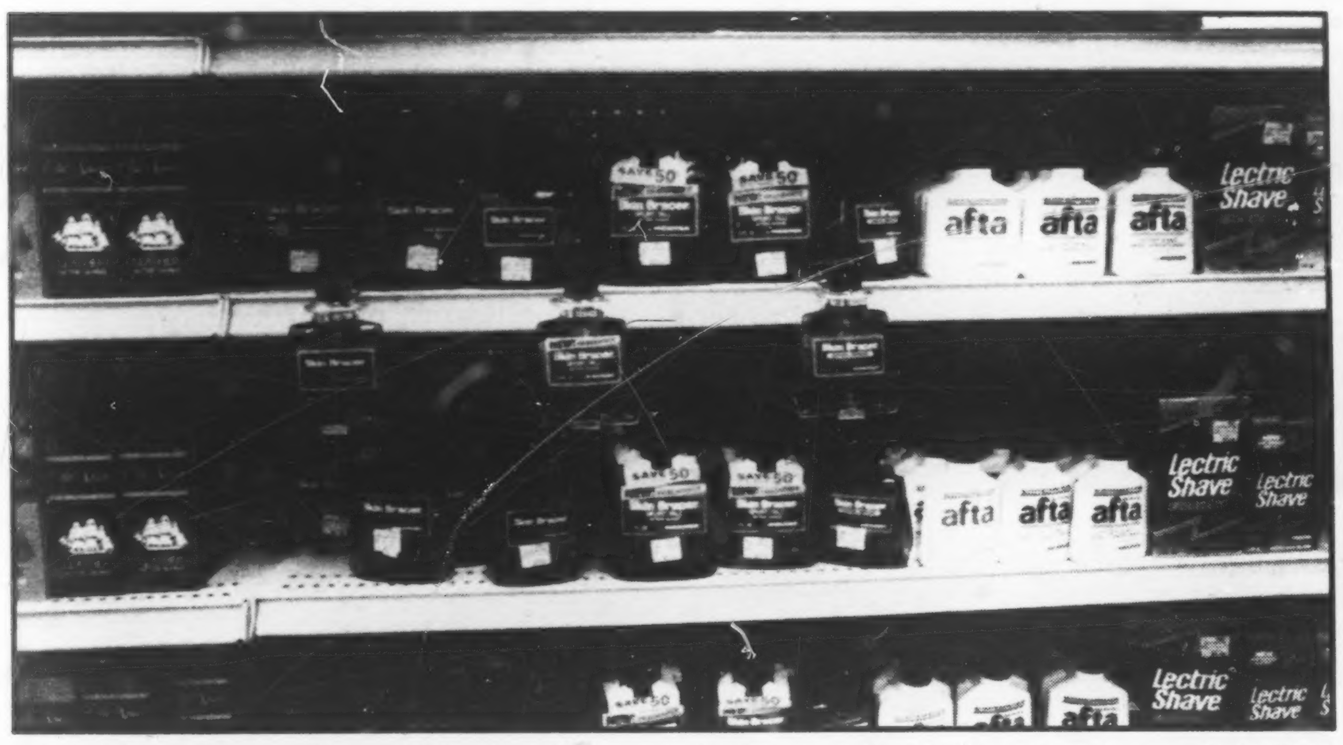
The same approach has also been tried with ethnic hair and skin preps, and to good effect, buyers report.

Some buyers also think that hair care sales overall have improved because so many chains are adopting a more "back to basics" approach with their advertising and marketing. Many buyers say they have been more

Continued on page 86

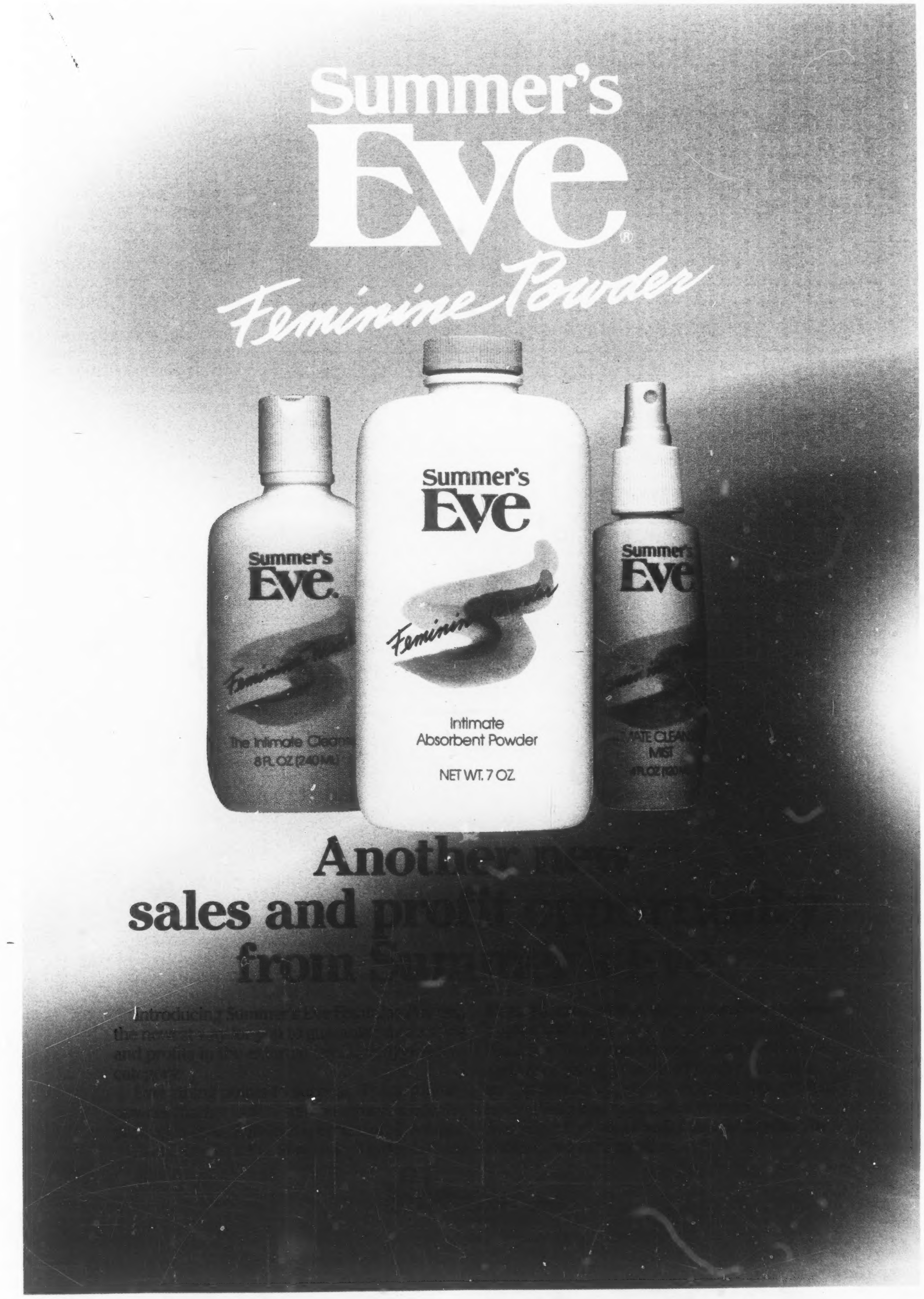
ECKERD
SUNCARE CENTER
TROPICAL BLEND
Coppertone

Most Sunbelt stores carry sun care daily. Eckerd often has two locations for sun care in its stores: in-line as part of regular skin care section, and on one or two endcaps to take advantage of impulse sales.



Great American in Long Island, N.Y., uses testers on shelf extenders in men's toiletries to encourage sampling.

Deep discounters such as Drug Emporium, shown here, use low everyday prices and broad product assortment in 32-to-40-feet sections to be competitive.



Toiletries rise

Continued from page 85

aggressive with hair care ads in 1988 and much more competitive on their prices.

The sun care category is still showing some of the strongest growth in toiletries, up about 15 percent. Sunbelt stores averaged a 25 percent gain.

The fastest-growing segments are still the higher SPFs, but many buyers said tanning products still sell very well, particularly in markets heavy in the 15-to-25 age range. Sun protection brands are driving growth in the Sunbelt, while sun tanning lotions and oils grow less dramatically on average.

In some chains, like Duane Reade and Genovese in New York, this is not the case, and tanning oils and lotions sell especially strong at the start of the season in March and April while the sun protection brands pick up in sales as the weather grows progressively warmer.

Buyers for some of the bigger chains are estimating that the sun protection segment will probably equal sales in the sun tanning segment by the end of this year.

The best-selling SKUs seem to be in the 15 SPF segment. Most buyers said this level of sun protection, the highest level acknowledged as effective by the FDA, outsells their other protection SPFs by a wide margin.

Protection brands

In protection, most buyers single out Shade, Sun Down and Pre Sun as their best brands. However, buyers at several of the bigger chains said their best sellers are their own value-priced private label sun protection brands.

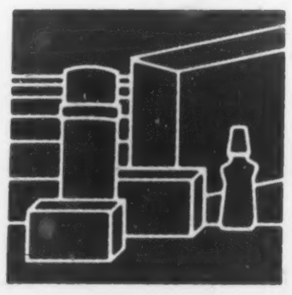
Many buyers also said that brands formulated especially for children's sensitive skin also sold very well, including Water Babies, Baby Faces and Cancer Garde for Children.

Protecteur Gentile seems to be off to a good start in chains that have it. Buyers say it is generating good trial. In the Sunbelt, J&J's new line, Piz Buin, is also selling well.

In general, retailers said they are coping with product proliferation in sun care by stocking two or three of the best-selling lines.

High card margins cause chains to grow depts.

Stationery's largest segment saw sales climb 11 percent in '88



Greeting cards is a high-impulse, high-margin category which performs well year-round during any type of economy.

These attributes have helped to convince a number of drug chains this year to expand their greeting cards section or move it more front-and-center in their stores, or both.

By giving greater exposure to cards, chains generally experience double-digit sales gains in the category, extend the shopper's visit in the store and make it more likely that people will buy related items such as gift wrap, figurines, balloons and the like.

Nationally, the expansion of floor space devoted to cards contributed to a modest increase in per-person consumption, thanks to greater varieties inducing more impulse sales. This in turn drove unit sales of greeting cards up between 2 percent and 3 percent in 1988.

Card sales in the mass retail market, including drug stores, are growing faster than in the specialty market, thanks to the one-stop shopping preference of working women; women account for about 90 percent of card sales. The mass market accounts for over one half of the 7.3-billion annual unit sales. Drug stores garnered a 23-percent share of the card market last year, while supermarkets had a 16-percent share, according to the Greeting Card Association.

Greeting card sales at chain drug stores climbed 11.1 percent to $636 million in 1988. It is the largest segment of the stationery department, accounting for more than 35 percent of department sales.

Among chains expanding card section footage during 1988 were Pay Less NW, Super D and K&B. Pay Less's sections now average 144 linear feet, up from a range of 112 to 140 linear feet previously. Super D added 8 feet in its larger units, augmenting its 60- to 72-foot sections with more endcaps and spinner racks, reaping increased sales. Super D also locates cards prominently: In a recently opened franchise store, for example, the first two aisles near the entrance are given over to cards and wrap.

Harco Drug, which devotes from 80 feet to 140 feet to cards, is among chains that have moved the department to an up-front location.

Wellby Drugs in Maine, a state with relatively few card shops and stationery stores, has made a strong statement with its card department, which is called "The Card Shoppe." The chain carries a large number of brands, including eight alternative card vendors, and backs the department with regular advertising.

Chains frequently use seasonal opportunities to advertise cards. This March, for example, chains including Longs, Eckerd, Revco, Peoples, CVS, Carls and SupeRx in Cincinnati advertised cards and giftwrap in their Easter presentations. Hook's ran a Bloomer Bunny coloring contest in conjunction with American Greetings, and also knocked 25 cents off any St. Patrick's Day card or novelty. Several chains used the Easter theme to heighten shoppers' awareness of their year-round selections of cards, wrap and novelties. Revco pictured Easter Bunny cards to remind customers that it discounts cards 10 percent every day.

The three major card companies, Hallmark (Ambassador), American Greetings and Gibson Greetings, generated several innovations during the past year, including new display vehicles, new lines and new fixturing.

All three companies over the past few years have moved into the fast-growing (approximately 20 percent per year) alternative-card market, once the turf of small, private companies, and American Greetings recently introduced a new nonoccasion line, called "Couples," along with a special "beam" display.

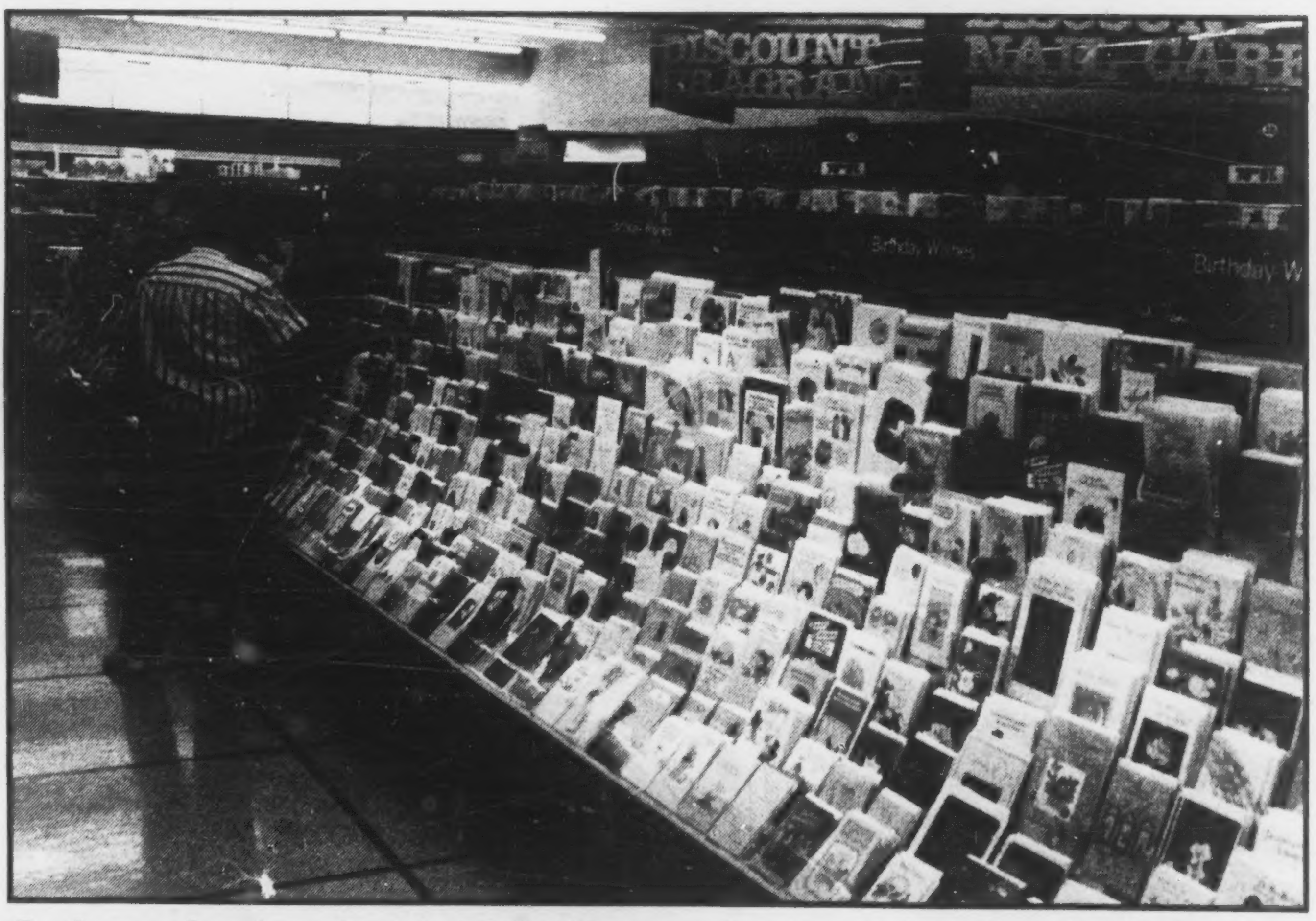
Gibson looked to build business outside the card department by creating "power panels" and "shadow boxes" during the year. The panels, or plastic trays, can be hooked onto shelves anywhere in a store. The shadow box, consisting of a two-wheel cart that can be moved to various departments, is being tried by Pay Less and Peoples Drugs, among other chains.

Snyder's Drug Stores, based in Minnetonka, Minn., reports good results with Ambassador's new "invisible fixtures" and ColorScan coding system for consumers, which the chain is trying in selected stores. The fixtures, which extend from eye-level almost to floor, "hide" storage space and allow more display, as well as showing 20 percent more of each card.

A new Publix combo store in Orlando, Fla., offers a wide selection of magazines and books in up-front area near greeting cards.

CARD SHOPPE

Wellby Drugs' 'Card Shoppes' are appropriately named, as the unusually large selection and layout create a mini-store feeling in units such as this one in Falmouth, Maine.



Cards are a key department at Arbor Drugs and get prominent location in this store near Troy, Mich.

1988 stationery department highlights at chain drug stores

Chain drug stationery sales	$1,809,817,000
1988 percentage increase	10.5%
Percentage of total chain drug sales	5.0%
Typical gross margins	40% - 45%
Industry profit yield from stationery last year	$725,000,000 - $815,000,000
Average annual department turns	4.5

Source: *Drug Store News survey*

1988 stationery department productivity in chain drug stores

Category	1988 total sales (add 000)	1988 % increase	% of category sales
Cards	$ 635,678	11.1%	35.1%
School, home office	546,054	15.1	30.2
Books and magazines	272,243	5.7	15.0
Writing instruments	114,852	6.3	6.3
Gift wrap	104,044	10.7	5.7
Social stationery	69,318	1.3	3.8
Disposables/party supplies	54,471	6.3	3.0
Art supplies	13,123	5.3	0.7
Total	$1,809,782		100.0

Source: Drug Store News 1988 survey of drug chains

Stationery up 10% in '88; home office strong

In the school-stationery-office supplies category, the spotlight for drug chains continues to be on the home office segment.

Stationery grew 10.5 percent overall in 1988, led by a greater than 15-percent gain in home office-school supplies. This segment's steady advances have secured its position in stationery, where it now contributes 30.2 percent of department sales.

Some chains that expanded the segment in 1988 saw department sales grow in the double digits; others plan to expand home office this year, confident that the trend among their customers, especially in the suburbs, to work out of their homes will remain strong. Indeed, there are an estimated 13 million home-based businesses in the United States, and the median income of home-business owners is $58,000, according to the American Home Business Association.

Many drug chain buyers note a willingness of their customers to pay for higher-quality office and school supplies, and are upgrading their assortments accordingly. "Our customers are willing to pay more for products if they feel they're a good value," said Dan McAllister, buyer for Kerr Drug Stores.

There is also a trend to multipacks, in items such as legal pads, envelopes and writing supplies. "Single packs don't really acknowledge our customer's interest in value," said John Kunzi, director of general merchandising at Drug Emporium.

To accommodate drug stores' relatively limited space, some vendors have come out with downsized bulk packs and compact displays. Such small office multipacks offer a compromise between "single items and the 12-packs that warehouse clubs want," said one vendor. "It tells customers that drug stores are in the home office business."

Children consider crayons in an Eckerd stationery department.

Fashion colors and designs continue to add impetus to the whole department: "Fashion portfolios and notebooks did well this year. Color was definitely on the increase," said K&B buyer Mark Blandford.

"School supplies has become a fashion business," noted Mark Griffin, president of Lewis Drug, based in South Dakota. "You have to have the catchy erasers, the 'right' folders, and keep up on who's hot in Saturday morning cartoons and among singers."

That the school-stationery-office supplies category is a year-round business for drug stores is no longer seriously in debate. While back-to-school continues to be a promotional "Christmas in August" for many chains, tax time and second semester are gaining favor as periods of opportunity. "Tax time season is starting earlier," said Dennis Wozniak, vp-purchasing at Arbor Drugs, which launched a new tax-time promotion this year featuring a mix of everyday strong movers and high-end items on endcaps as a secondary location.

And several chains have found that other areas of their stores can be tied into their promotions or cross-merchandising plans at back-to-school time for enhanced sales and profits. Among these areas: cosmetics; storage supplies; hair, dental and skin care products; batteries and electronics; underwear; personal care appliances; and sporting goods.

For some drug store operations, usually in metropolitan areas or markets with a concentration of industry or colleges, computer paper and other computer supplies do well. Florida-based Gresham Drugs, for example, carries disks and computer printer ribbon, in addition to paper, and reports good sales. The stores move 100 cases of computer paper a month. But others are still in a wait-and-see mode about entering this segment, or, like K&B, stock computer paper to round out their selection, hoping the business will develop.

Mailing supplies, often located in or near stationery, has proved to be a surprisingly productive niche for some chains, including Arbor, which added a section about a year ago, and Snyder's Drug Stores, which consolidated mailing items in one "home." Louisville, Ky.-based Taylor Drug Stores, in some stores, puts mailing supplies right at its mail-service outlets, for enhanced sales.

Several merchandisers see the soaring price of paper hurting discount operations more than traditional drug stores: "To a certain extent, the inflation rate in stationery has been a benefit to the conventional drug store, whose key competition in the mass market has been forced to raise retails and discontinue the outrageously low margins that these promotional football items generate," Lance Clark, merchandising manager at Snyder's, said during a Back-to-School Show seminar.

Where shoppers buy magazines and paperbacks

Outlet	Magazines	Paperbacks	Combined
Drug stores	9%	8%	9%
Supermarkets	54	15	39
Convenience stores	10	1	7
Discount outlets	2	15	7
Newsstands	11	2	7
Bookstores	7	54	25
Others	7	5	6

Source: Periodicals Institute

Writing instruments: sales at manufacturers' level

(including imports and exports, in millions of dollars)

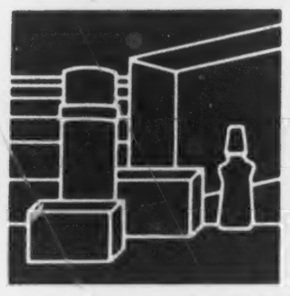
Segment	1983	1984	1985	1986	1987
Fountain pens	$ 30.5	$ 39.1	$ 39.5	$ 39.2	$ 41.1
Ballpoint pens	364.0	363.8	382.6	410.3	439.4
Roller pens	75.2	84.2	101.6	116.7	133.0
Porous point pens	209.6	215.7	141.4	145.2	151.7
Markers and highlighters	NA	NA	138.1	166.7	175.8
Mechanical pencils	79.9	116.8	133.4	174.2	201.3
Desk pen sets	10.1	17.4	16.4	18.5	18.6
Other*	50.0	70.0	85.0	88.0	91.0

* Estimates include refills for ballpoints, fountain pens and for roller pen instruments, pen points, refill leads and other items not intended for assembly or resale by another manufacturer.

Source: Writing Instrument Manufacturers Association

As Advertised
You
for Shopping
2
Snyder's Drug unit in Minneapolis features eye-catching endcap display of assorted back-to-school items, including notepads, spiral notebooks, folders, lunch bags and filler paper.

Multipacks, new products push photo up 8%



Drug chains sharpened their photo performance through savvy marketing of new film products and aggressive vendor promotions. Moreover, consumer enthusiasm for the popular point-and-shoot 35mm cameras helped merchants build further on their quality photofinishing efforts.

Overall, photo department sales clicked upward by 8.6 percent in 1988 to $1.55 billion. The advance was led about equally by film, photofinishing and cameras.

One of the biggest positive trends was aggressive merchandising of film multipacks. For example, Kodak's Kodacolor Gold line launched in May and Fuji's new Super HR film led the sales growth at some chains, especially those that displayed it in high-traffic areas such as checkouts.

Another plus which retailers used to their advantage was national advertising by manufacturers to support their new camera entries, among them Polaroid's Impulse, which filled the mid-priced instant niche.

Non-SLR 35mms from such vendors as Canon, Kodak, Vivitar, Fuji and Keystone gained regular circular space at under-$100 price points. New fool-proof features such as drop-in film loading and built-in flash made the

Continued on page 99

1988 photo/video department highlights at chain drug stores

Chain drug photo/video sales	$1,547,323,000
1988 percentage increase	8.6%
Percentage of total chain drug sales	4.3%
Typical gross margins	20% - 25%
Industry profit yield from photo/video last year	$310,000,000 - $390,000,000
Average annual department turns	9.0

Source: *Drug Store News* survey

1988 photo department productivity in chain drug stores

Category	**1988 total sales** (add 000)	**1988 % increase**	**% of category sales**
Film	$ 568,127	10.8%	36.7%
Still color	365,661	11.6	23.7
Instant picture	184,804	10.1	11.9
Movie color	12,353	0.1	0.8
Still b&w	5,309	3.3	0.3
Processing	543,090	9.4	35.1
Flashbulbs/flash attachments	214,192	1.2	13.8
Cameras	54,040	10.7	10.0
Blank & prerecorded video cassettes	67,937	5.3	4.4
Total	$1,547,385		100.0

Source: *Drug Store News* 1989 survey of drug chains

Special events generate most film purchases

(When consumers say they buy film; percentage of total responses*)

Just before a special event	**66.5%**
Just before vacationing	**53.8**
During regular shopping	**38.3**
While on vacation	**26.2**
When dropping film off for processing	**24.2**
On impulse	**16.8**
When picking up processed film	**15.6**

*Numbers add up to more to 100 due to multiple responses.

Source: 1988 Consumer Photographic Survey, by the Photo Marketing Association, and *Photo Marketing Magazine*

Drug stores are No. 1 photofinishing source

(Percentage of responses*)

Drug store	**43%**
Discount store	**27**
Mail order	**24.6**
Supermarket	**20.9**
One-hour photo lab	**18.7**
Camera store	**13.4**
Other	**19.4**

*Numbers total more than 100 due to multiple responses.

Source: 1988 Consumer Photographic Survey, Photo Marketing Association

Discount prices on popular speeds in 35mm format are displayed at front-of-store in this Orlando, Fla. Walgreens.

When do consumers take more pictures?

(Percentage of responses, with multiple responses)

More/new children	**33.8%**
Acquired new or better camera equipment	**22.8**
More travel	**13.9**
Increased proficiency	**11.9**
Growing family/change in family status	**9.3**
Other	**31.4**

Source: 1988 Consumer Photographic Survey, Photo Marketing Association

Mass merchandisers will gain share of mini-lab-developed exposures

(Projected market share percentage)

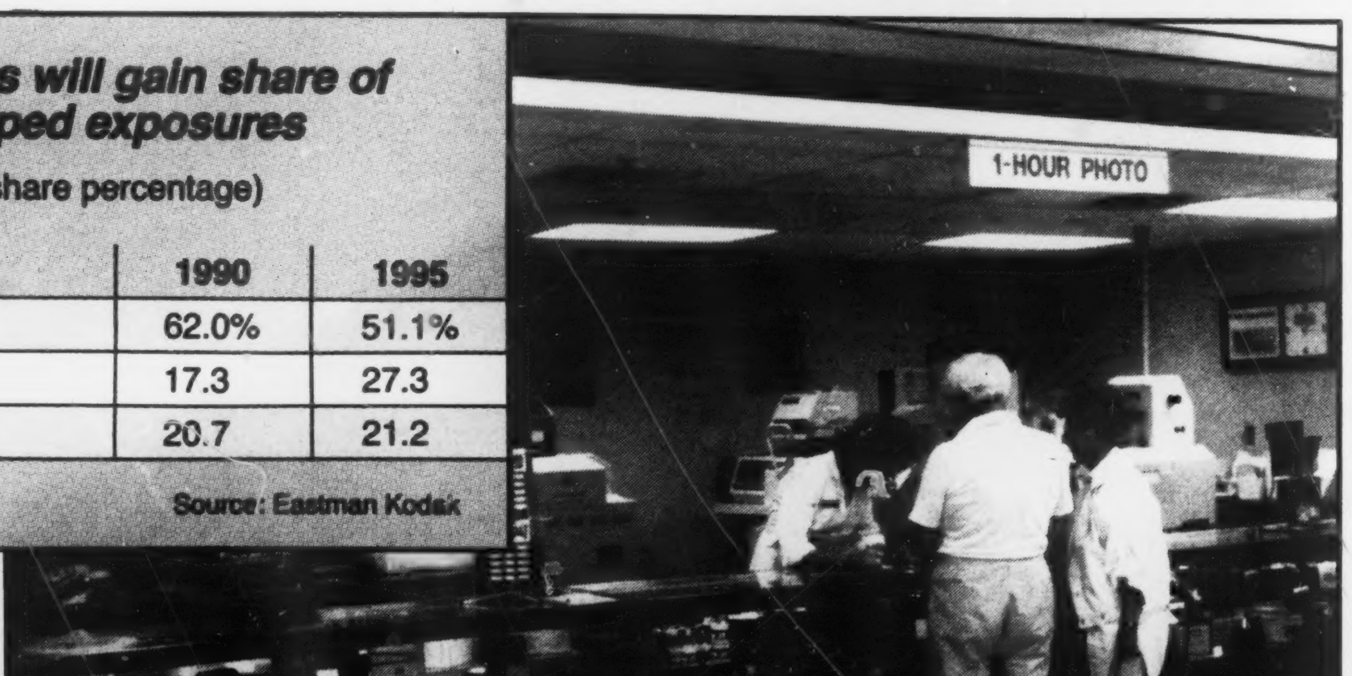
	1990	**1995**
Stand-alone labs	62.0%	51.1%
Mass merchants*	17.3	27.3
Small retailers	20.7	21.2

*Chain drug, grocery and discount stores

Source: Eastman Kodak

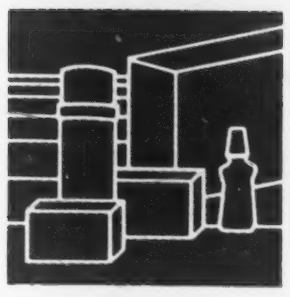
Fantle's
DRUGSTORE
PICTURE PERFECT
PHOTO
FINISHI

The center of an extensive film/photo department, this service bullpen is near the rear-of-store pharmacy at Fantle's.



Drug chains in minilabs face other mass merchant competitors. This lab helps build a one-stop environment for a Publix supermarket.

1988: How sweet it was for chain candy sales



Candy sales grew nearly 11 percent to $1.3 billion at drug chains last year, dispelling notions that Americans are flat-out watching their eating habits and foregoing candy as snacks.

Heavy candy eaters, in fact, may help the National Candy Wholesalers Association reach its goal of "25 by 95"—25 pounds per capita consumption by 1995. Latest figures show per capita candy consumption weighing in at an estimated 19.5 pounds.

Drug stores helped add a few pounds to that figure in 1988 too, by finding new ways to increase candy sales, partly because buyers forecasted the category as a strong growth area for 1989.

Last year was a sweet one for candy sales, with bagged candies advancing most rapidly at 12.8 percent, followed by bars at 10.3 percent. Chains devoted more space to the category both near checkouts and entrances and at endcaps and other off-shelf displays.

Other chains used non-conventional department fixtures, and incorporated count candies (single bars) in their mix.

Various marketing strategies

Walgreens, for example, has always been successful in exploiting the candy category, because the Deerfield, Ill.-based chain gives the department plenty of off-shelf exposure. By continuing to promote candy year-round, and not just seasonally, Walgreens captured more impulse sales of higher-margin unadvertised confectionery items.

Meanwhile, Drug Emporium started supplementing bagged candy purchases with count candies. The chain bought at least 500 lbs. or more on a direct store basis to get the best price bracket possible. With this system, the stores made their weight without buying too many bags. Displaying count candies at the register helped Drug Emporium make its minimums, while increasing impulse sales of single bars.

Perry changed its display fixtures in its candy department to basket configurations, and reported that turns increased by 20 percent. Unit sales were up 30 percent.

Perry Drug turned to basket presentations instead of the traditional shelf merchandising program which it used previously in the candy department. Perry's assortment suffered because a broad variety of product couldn't be displayed, but the brands stocked were able to turn much better from these grocery-style baskets.

Turns were up 20 percent in Perry's candy department, and unit sales increased by 30 percent. Perry made sure it stayed in stock on the best-selling brands, and changed its pricing strategy. Instead of looking for a single sale, bars were priced at three for 99 cents.

Many drug chains used this three- and four-for-a-dollar pricing strategy last year, especially on king-size candy bars like those sold in movie theatres. Promoting the king-size bars this way gave the chains the opportunity to sell a good value at a price point that generated profit.

King-size bars of the "big three"—M&M/Mars, Hershey's and Nestles—continued to be top sellers in drug stores. Chain drug candy buyers noticed a nostalgia trend in 1988 among candy buying-adults. This trend, buyers believe, may have attributed to increased sales of the above brands.

One of the greatest pleasures

Adults yearned to remember a simpler time in their lives, when eating their favorite candy bar was one of their greatest pleasures. Not suprisingly, their childhood candy bar best-sellers are still a hit with adults today, and will probably continue to be popular tomorrow.

In imported chocolates, Mon Cheri and its sister brand, Roche chocolates, along with Andes mints, Tobler and Cella Cherries were strong drug store favorites.

Tic Tac and Life Savers had good growth in the sugar-type confectionery category, several chain drug buyers reported. Brach's and Whitman's also got good reviews from buyers in the boxed chocolate segment, which the chains merchandised regularly as well as at times like Mother's Day, Valentine's Day, and Christmas.

The candy category will continue to be a hot one to watch for in 1989, retailers predicted in *Drug Store News*' Hot Categories Survey. Fifty eight percent of retail drug merchants surveyed said snack foods/candy/convenience foods would be one of the hottest merchandising categories in 1989, with sales increases approaching 13 percent.

1988 candy department productivity in chain drug stores

Category	1988 total sales (add 000)	1988 % increase	% of category sales
Bagged	$ 524,520	12.8	39.9
Bars	390,648	10.3	29.7
Boxed	258,833	9.1	19.7
Chewing gum	120,846	9.0	9.2
Other	20,373	7.1	1.5
Total	$1,315,220		100.0

Source: *Drug Store News* 1989 survey of drug chains

1988 candy department highlights at chain drug stores

Chain drug candy sales	$1,315,223,000
1988 percentage increase	10.9%
Percentage of total chain drug sales	3.7%
Typical gross margins	25% - 30%
Industry profit yield from candy last year	$330,000,000 - $395,000,000
Average annual department turns	7.5

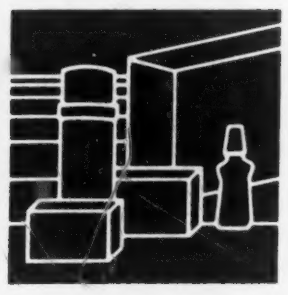
Source: *Drug Store News* survey

Single chocolate bars are a big hit with children, and many drug chains used a three- and four-for-a-dollar pricing strategy to capture multiple sales.

Bagged candies, the mainstay of chain drug candy departments, are displayed adjacent to seasonal toys in gondola display at Kerr.

Chains strengthened from consumables sales

Pet food, paper goods and packaged groceries spur a $1.5B business



Chain drug stores are continuing to benefit from the sales of edible and non-edible grocery store items.

Grocery product buyers told *Drug Store News* that sales of select foods and drinks in chain drug stores (excluding candies, juices and bottled waters) were up nearly 7 percent last year to $1.5 billion. By including the sales of non-edible groceries, such as household chemicals, paper products and pet foods, the total volume of groceries through non-food outlets like drug stores becomes even more significant, up about 10 percent to more than $6 billion.

These are the latest estimates that *Drug Store News* has been able to obtain based on research done by *Food Merchandising For Non-Food Retailers. FM* is a special supplement that is published quarterly by *Drug Store News* and its sister publication, *Discount Store News*.

Longs Drug has always given a generous amount of space to groceries in its super drug stores. Here shoppers appreciate Longs' success at delivering a strong presentation through product assortment.

Growth areas in grocery products

The fastest growing consumables category in drug stores last year was pet foods, up 27 percent in dollar sales to $85 million. Paper goods, such as toilet and facial tissues, paper napkins and towels were up nearly 16 percent to $1.4 billion. Soaps and household cleaners rose 10 percent to $430 million.

At drug chains, buyers reported their strongest growth is in packaged groceries, up over 12 percent; canned goods, up 10 percent and snacks, up 14 percent in 1988.

Promotional activity drove much of these gains. Chains continue to aggressively promote brands like Tide, Bumble Bee, and Quaker Oats as traffic builders, but many chains are also offering a fairly broad selection of traditional grocery products as "convenience" items. To maximize sales in this type of program, chains are building off-shelf displays more consistently for groceries and signing the various departments so consumers know that select high consumption grocery categories are available.

Chains use groceries as "convenience" items

At Eckerd, Walgreens and Thrifty Drug, for example, many stores have convenience food departments. They intend to train consumers to save time by shopping these stores for fill-in trips between supermarket visits. Drug store operators, in general, have become more selective in the groceries they carry. Today's grocery buyer bases decisions on historical movement data.

Almost one-third of consumers buy some groceries in drug stores. They're motivated by low prices, convenience and impulse. Putting traditional items like garbage bags close to snacks and beverages helps build multiple sales.

"There is a strong growth in groceries," said Peter Agostino, senior buyer of convenience foods at Eckerd Drug, "but it's there for the right items. You can't just put in anything."

To that, Jim Muir of Dunaway Drug in Atlanta added, "We're buying more promotional groceries, because I feel more confident about the category. I'm able to weed out what the slow movers are, and I know what works for us."

Buyers said their first concern is to get well-known brand items into their grocery programs, because that is how shoppers identify value and these products will turn fastest.

At Wellby Drug in Maine, for example, buyer Paul Desjardins said he reduced his inventory to improve turns, but instead of losing sales, he found that sales continued to rise. "Sales are still going up because we're promoting more," he said, "but we've cut out all the dead items and run only what we know sells."

At Dot Drug, the deep discount drug store chain owned by Wal-Mart, vice president Clarance Archer said promotional grocery sales are also up, because Dot is featuring "the things people use everyday: cereals, peanut butter, juices, canned meats, tomato sauces, spaghetti, applesauce. These are good convenience items that bring people back in," he said.

Tracking promotional trends

Not long ago, *FM* sponsored a grocery buyer survey designed to identify how many drug chains were promoting groceries, and whether the frequencies of promotions were growing or declining.

The survey was conducted by Lebhar-Friedman Research and in-

Continued on page 104

1988 grocery-snacks-soft drinks-liquor-beer-wine highlights at chain drug stores

Chain drug sales	$1,526,001,000
1988 percentage increase	6.5%
Percentage of total chain drug sales	4.2%
Typical gross margins	15% - 20%
Industry profit yield last year	$230,000,000 - $305,000,000
Average annual turns	5.0

Source: *Drug Store News* survey

1988 food/liquor department productivity in chain drug stores

Category	1988 total sales (add 000)	1988 % increase	% of category sales
Liquor/wine	$ 709,298	5.6%	46.5%
Soft drinks	216,470	4.2	14.2
Nuts	125,706	5.8	8.2
Snacks/cookies/chips	124,197	13.6	8.1
Beer	93,219	1.7	6.1
Canned goods/condiments	67,929	9.5	4.5
Dry packaged groceries	61,070	12.4	4.0
Other foods (excl. candy)	128,110	9.3	8.4
Total	$1,526,001		100.0

Source: *Drug Store News* 1989 survey of drug chains

Chains strengthened from consumables sales

Continued from page 103

cluded responses from 30 major drug chains.

Among the findings: At least nine in 10 chains were promoting the more traditional drug store grocery product categories like snacks, chips, candy and gum, soft drinks, household cleaners, garbage bags and paper products.

But more than 70 percent were also promoting food wraps, pet foods, bottled waters, juices, and packaged groceries, and with the exception of bottled waters, at least eight out of every 10 respondents promoted these categories at least once a month, and more than half the respondents were promoting many of these categories weekly.

One-third of respondents also said they were promoting these categories more often today that they were in 1987. Perhaps even more significantly, less than 5 percent said they were promoting any of these categories "less often."

Because buyers felt they possessed 'closer and more flexible' working relationships with manufacturers and brokers, many said they were actually making more money on the promotions.

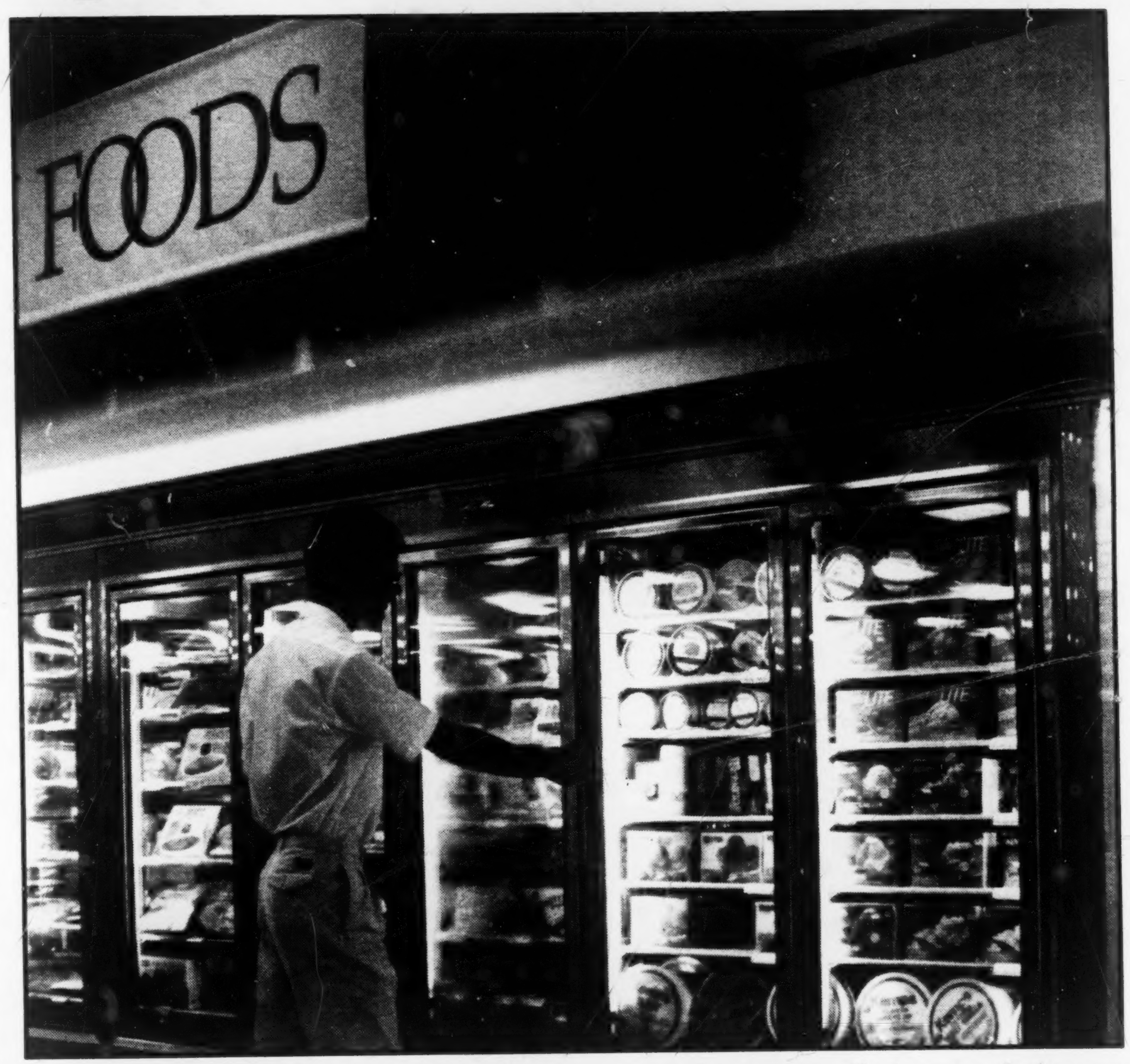
In some of the more frequently promoted categories like soft drinks, candies, snacks, pet foods, cleaners and juices, for example, buyers reported year-to-date sales up as much as 20 to 30 percent over a year earlier. Because buyers described themselves as "more sophisticated" with these categories and in possession of "closer and more flexible" working relationships with manufacturers and brokers, many said they were actually making more money on the promotions.

Just about every buyer agreed that there was no interest on their part to "give groceries away." They wanted to be competitive on the brands they advertised so they could achieve their main objective: more traffic and incremental impulse sales. But they wanted to accomplish this with programs that made them money, and many said this was now much easier to accomplish than it had been in prior years.

Many of the buyers gave special credit to the manufacturers and brokers who helped custom-tailor promotions for individual drug chains.

"I could complain about some manufacturers," says Andy Horn, who buys groceries for Harco Drug in Alabama, "but some are beginning to respond much better to the drug trade. They're finding the food industry is saturated, so they're slowly, but surely coming to us for growth. Today, I can get most of the same deals the grocery chains are getting."

"It still varies widely," said the buyer for one of the industry's biggest chains, "and many of the big companies try to stick with the food industry's 2 percent in 10 days. But when the companies aren't so big, you can negotiate 2 percent in 30 and sometimes even 2 percent in 60 days."



Food has proven so popular in drug stores as convenience items that many chains are installing coolers and freezers. Ice cream is a popular seller, as are frozen entrees. Coolers are often used to merchandise cold single-serve beverages, creating more opportunities for impulse sales.

SHOPPING The Rx Pla

Deep discounter Rx Place uses supermarket mass merchandising to make a strong statement in its food aisle. Often shoppers will make multiple purchases because the prices are so low.

Whenever it's warm outside, the beverage department expands. Here high volume independent Loomis Drug takes advantage of sunny Florida weather to merchandise soft drinks directly across from coolers.

Manufacturers like Coca-Cola and Pepsi-Cola are also creating new types of promotions for the drug and discount trade, promotions that rely more on such value-added incentives as discounts on popular videotapes like "E.T." or the Disney Classics to sell soft drinks, rather than just price reductions.

Other manufacturers are also doing special packs that give the drug chains something unique to sell, which again gives the non-food industry a special incentive that food stores cannot match. "They'll do special packs for us now where before it was very hard to get this kind of service," said Eckerd's Agostino.

Manufacturers and brokers will also help a buyer decide on how much to buy so he can maximize sales opportunities without stocking too much inventory in his or her stores. Brokers will also often guide a buyer to the best time to break the ad, to minimize banging heads with a food chain's ads.

In other instances, manufacturers will work directly with buyers to come up with dollar-building promotions. Lever Brothers has repeatedly helped Perry Drug create special promotions. For one Dollar Day ad, they developed a deal on a six pack of Lux bar soap that sold for $1, and yet made money for Perry. On another occasion, they developed a rebate promotion for Surf that Perry sources say was "very, very successful."

'I could complain about some manufacturers,' says Andy Horn, who buys groceries for Harco Drug in Alabama, 'but some are beginning to respond much better to the drug trade.'

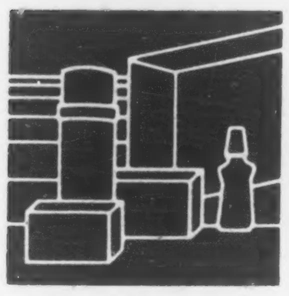
Over the long haul, most buyers think they can continue to make the grocery categories grow in their stores. They point out that their base is relatively low in some of the highest-tonnage categories like pet food, and they add that stronger merchandising programs have resulted in very dramatic gains in even the more traditional categories like candies, snacks and soft drinks.

"Food will have to be more important to the non-food chains," says Harco's Andy Horn. "As grocery, drug and discount stores start to look more and more alike, we'll all be trying to draw traffic from each other. The grocery chains moved first by putting in pharmacy and H&BA to draw traffic from us. Now it's just natural for us to put in more groceries to try to draw traffic from them."

Eckerd's Agostino said, "Having these products in our stores tends to enhance our convenience image with our customers. And we don't have to have a large assortment. If we carry the right brands in the right categories, we do well, and our stores benefit from the added traffic."

Tobacco still strong seller despite challenges

Manufacturers contending with health concerns and increasing taxes



Every retailer knows the tobacco market remains on a steady decline, but even with unit sales draining away at 2 percent or more a year, the category still wields a lot of strength. Tobacco remains a big cash producer and a solidly entrenched part of the drug store mix, despite its problems.

The problems have become married to the business. Tobacco manufacturers are contending with three big ones, according to Brennan Dawson of The Tobacco Institute: growing legal restrictions to smoking in public places as health concerns and negative publicity continue to mount; new drives to boost cigarette excise taxes at the federal and state levels; and new efforts to ban all forms of tobacco advertising, including the use of in-store display ads.

There have also been moves by U.S. Surgeon General C. Everett Koop, Sen. Bill Bradley and others to label cigarettes as addictive drugs. Said Dawson, "I think we're going to hear a lot more about it."

On the retail side, chain drug merchants are faced with other challenges in selling tobacco products. Among them: relatively low gross margins in comparison with many categories; confusing brand segmentation which makes it necessary to stock more than 100 cigarette SKUs; possible conflict with a drug store's overall health care message; high levels of pilferage; and space problems.

Nevertheless, drug chains remain committed to the category for obvious reasons. Despite the efforts of anti-smoking groups and continuing increases in price and taxes, cigarettes retain enormous retail clout. They sold to the tune of some 560 billion units last year and generated at least $37 billion in revenues last year, 9 percent of which went to drug stores, according to Brown & Williamson Tobacco Co. Cigarettes continue to grow in dollar volumes despite 2.1 percent unit declines over the past several years. They produce a rapid 15 annual turns and steady, predictable cash flows.

At drug chains in 1988, tobacco volume rose nearly 4 percent to $2.4 billion. The department generates 6.6 percent of total chain drug sales.

In addition, years of negative publicity and anti-smoking efforts have failed to convert the industry's solid core of loyal, smoking customers. There are still 50 million smokers in the U.S., according to most estimates.

"I don't think the price hikes in themselves have affected cigarette sales much," said one chain drug merchandise manager recently. "They're still something we're going to carry for our customers, even if we don't wave the flag on it. We're still stocking over 100 brands."

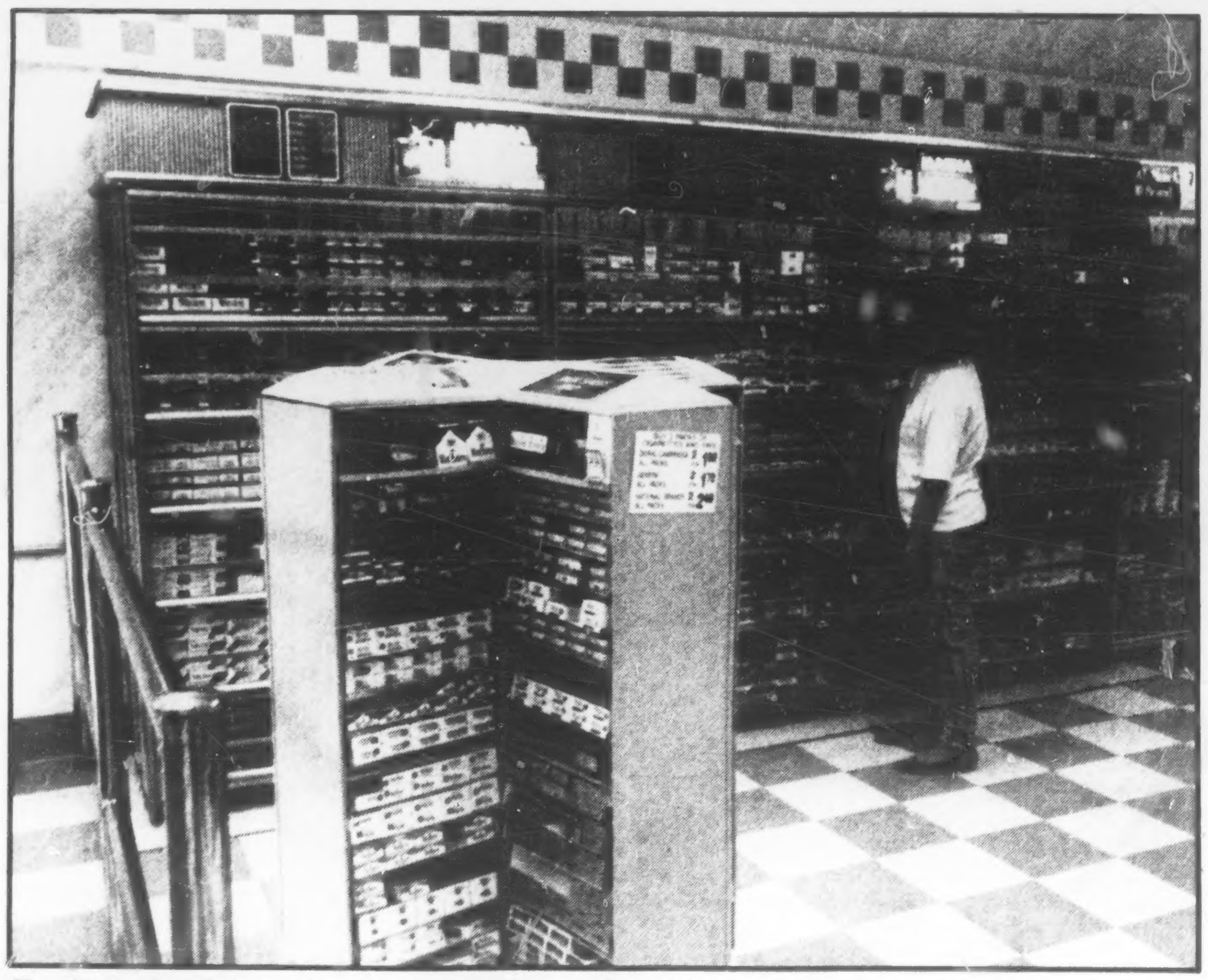
"We're cutting down on the lesser brands to conserve space, but in spite of all the bad publicity, our volume has not dropped," said another. "They still generate a lot of dollars."

Even if the core group of users continues to decline, tobacco companies are pushing hard to convert a new generation to the habit to pick up the slack.

Their main efforts, however, continue to focus on the grueling battle for market share. In a business where each point of share is worth

Continued on page 110

> 'I don't think the price hikes in themselves have affected cigarette sales much,' said one chain drug merchandise manager recently. 'They're still something we're going to carry for our customers, even if we don't wave the flag on it. We're still stocking over 100 brands.'



Fantle's in Centreville, Va., offers a comfortable, easy-to-shop self-service tobacco department near the front of the store.

The price/value segment gains in market share

	Share of Total Market			Share of P/V Segment		
	1987	1988	Change	1987	1988	Change
Branded generics	4.1	.0	+1. 9	40.6	54.5	+13.9
Black and whites/ Private label	4.1	3.3	−0.8	40.6	30.0	−10.6
Value 25s	1.7	1.2	−0.5	16.8	10.9	− 5.9
Price off	0.2	0.5	+0.3	2.0	4.6	+ 2.6
Total	10.1	11.0	+0.9	100.0	100.0	

Source: John Maxwell, Jr., analyst, Wheat First Securities, Richmond, Va.

The top ten cigarette brands: Marlboro man corrals more market share

	1987		1988		
Brand/Manufacturer	**Volume***	**Share**	**Volume***	**Share**	**% Change**
Marlboro/Philip Morris	134.57	23.6%	138.82	24.9%	+3.2
Winston/RJR Nabisco	63.28	11.1	60.01	10.7	−5.2
Salem/RJR Nabisco	43.80	7.7	40.53	7.3	−7.5
Kool/Brown & Williamson	34.33	6.0	33.58	6.0	−2.2
Benson & Hedges/ Philip Morris	24.36	4.3	22.15	4.0	−9.1
Newport/Lorillard	24.23	4.2	24.80	4.4	+2.4
Camel/RJR Nabisco	24.18	4.2	24.20	4.3	+0.1
Merit/Philip Morris	22.17	3.9	21.38	3.8	−3.6
Virginia Slims/ Philip Morris	17.51	3.1	16.85	3.0	−3.8
Doral/RJR Nabisco	17.22	3.0	18.70	3.4	+8.6

*In billions of cigarettes sold

Source: John Maxwell, Jr., analyst, Wheat First Securities, Richmond, Va.

> *Tobacco manufacturers are contending with. . .growing legal restrictions to smoking in public places as health concerns and negative publicity continue to mount; new drives to boost cigarette excise taxes at the federal and state levels; and new efforts to ban all forms of tobacco advertising. . .*

1988 tobacco department highlights at chain drug stores

Chain drug tobacco sales	$2,364,221,000
1988 percentage increase	3.8%
Percentage of total chain drug sales	6.6%
Typical gross margins	15% - 30%
Industry profit yield from tobacco last year	$360,000,000 - $710,000,000
Average annual department turns	15.0

Source: *Drug Store News* survey

1988 tobacco department productivity in chain drug stores

Category	**1988 total sales (add 000)**	**1988 % increase**	**% of category sales**
Cigarettes	$1,595,887	4.1	67.5
Cigars	356.502	2.0	15.1
Lighters/smoking accessories	22[illegible]19	6.0	9.4
Tobacco/tobacco products	164,490	2.2	7.0
Pipes	26,223	1.7	1.1
Total	$2,364,221		100.0

Source: *Drug Store News* 1989 survey of drug chains

Service Counter

Cigarette sales are twinned with video rentals at this Phar-Mor, so one employee can oversee both categories at the service counter.

Drug stores pick up cigarette market share in '88

(Percentage of sales, by retail outlet)

Trade class	1987	1988
Supermarkets	29%	30%
Convenience stores	19	18
Independent grocers	13	13
Gas stations	10	10
Drug stores	8	9
Vending	8	8
Discounters	7	7
Other	6	5

Source: Brown & Williamson Tobacco Corp.

Tobacco market remains strong despite dropoff

Continued from page 109

about $370 million in revenues, that battle has become ever more intense.

In 1988, Philip Morris rode its dominant Marlboro brand to new heights. Marlboro now accounts for one of every four cigarettes sold domestically, and it was one of the few brands last year to actually boost its unit sales.

"Philip Morris was up 1.5 points (in 1988), ending the year at 39.3, the largest share of any company since 1931," reported industry analyst John Maxwell of Wheat First Securities. "Philip Morris owes its success to the consistent growth of Marlboro, aided by the national introduction of Marlboro Lights Menthol, and Cambridge, the fastest-growing branded generic."

Big success story

Branded generics, in fact, have become a big success story for tobacco companies. Their rapid acceptance has driven the price-value segment of the industry to capture more than 11 percent of the total cigarette market in a few short years.

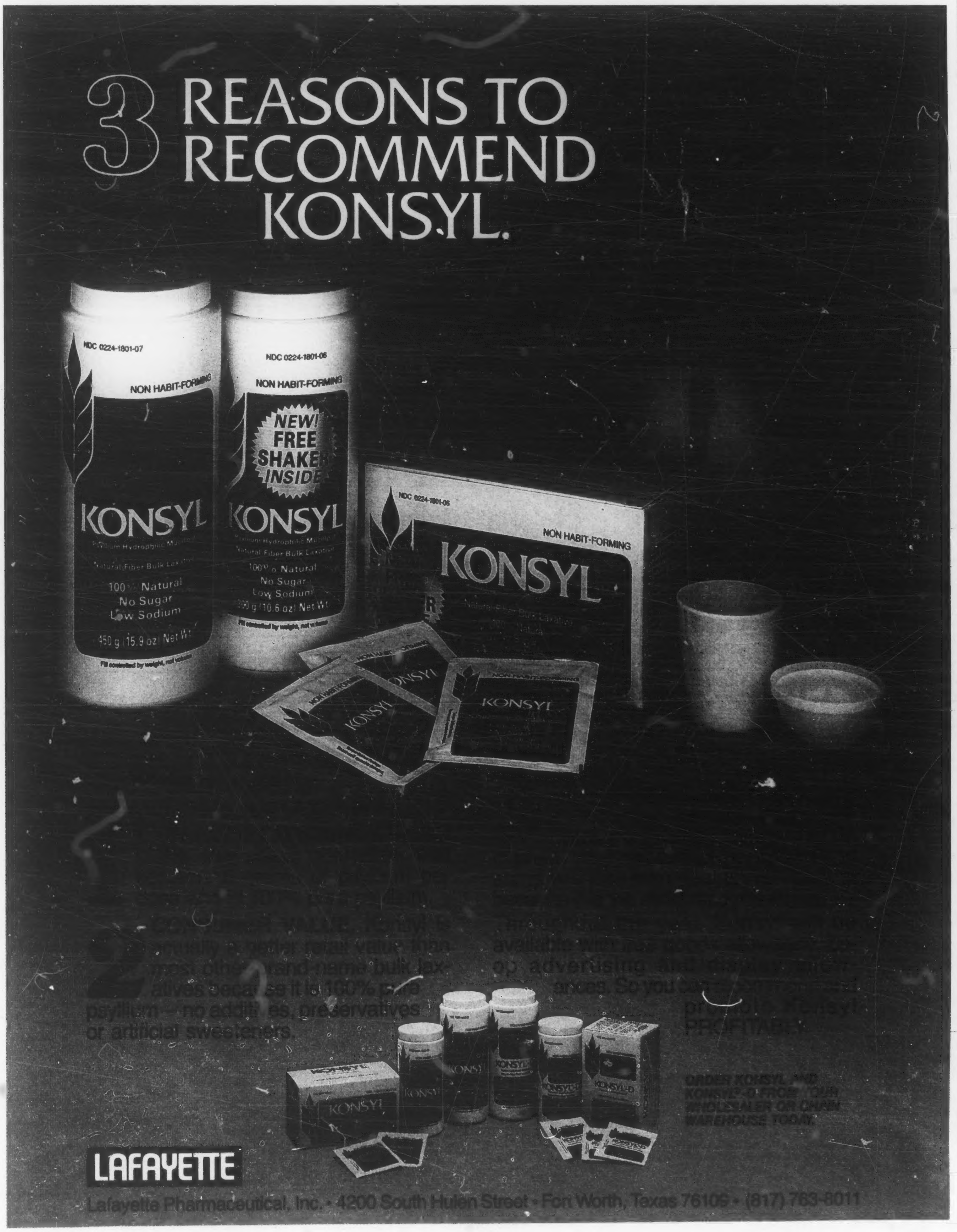
Last year, R.J. Reynolds' Doral, the first branded generic, jumped into the top 10 biggest-selling cigarette brands with a 3.4 share of the market. And Philip Morris' Cambridge, another early entrant to the low-price segment, jumped over half a share point to end the year with 1.7 percent of total sales, according to Maxwell.

"It appears that even in the value segment, consumers are moving to name brands as evidenced by the growth of the branded generics," Maxwell noted in his report on 1988 cigarette sales.

The action at the price-value end of the market has sparked numerous entries of branded low-price cigarettes, including Liggett's Chesterfield Lights and Pyramid Lights, American Filters from American Tobacco, RJR's Magna and Century, and Brown & Williamson's Richland.

Moving to a price-value positioning seems to be a way for companies to revive flagging full-price brands, as well. In recent months, Brown & Williamson's Viceroy and Philip Morris' Alpine have been restaged as price brands.

Another effort to boost declining sales failed earlier this year when RJR cancelled its short-lived Premier brand, the industry's first low-smoke cigarette. Despite years of experimentation and several hundred million dollars in development costs, Premier met with a host of problems from the moment it was launched in late 1988. Among them: consumer complaints about lack of taste, FDA concerns about the cigarette's possible classification as a drug, and Premier's unusual, "smokeless" delivery system.



2 [illegible] VALUE. Konsyl is [illegible] better retail value than most other brand-name bulk laxatives because it is 100% pure psyllium — no additives, preservatives or artificial sweeteners.

[illegible] available [illegible] op advertising [illegible] ances. So you can [illegible] promote Konsyl PROFITABLY.

ORDER KONSYL AND KONSYL-D FROM YOUR WHOLESALER OR CHAIN WAREHOUSE TODAY.

Lafayette Pharmaceutical, Inc. • 4200 South Hulen Street • Fort Worth, Texas 76109 • (817) 763-8011

Drug chains cleaning up with basic housewares driving eight percent gains

The huge housewares industry remains a discount store specialty, but with total sales of more than $30 billion, the category is big enough to rack up big revenues through many trade classes, including the nation's drug chains.

Drug stores account for 4.6 percent of the total housewares market, according to a recent study prepared by Touche Ross & Co. for the National Housewares Manufacturers Association. That is no match for the 26.5 percent of the market Touche Ross gives the discount store chains, but it is enough to make housewares an important and steady performer for drug chains.

Overall housewares volume at drug chains rose 7.8 percent in 1988 to more than $2.2 billion. The department generates 6.2 percent of total chain drug sales, making it the fifth-largest volume contributor to this class of trade. Housewares generates healthy 35 to 45 percent margins.

"Drug stores are not going to be the image-makers in housewares, but it's a worthwhile market for them to give close attention to," is the way former Associated Chain Drug Stores president Ira Shain described the category.

"The chains have to make a decision on what they can sell, and leave the innovation in housewares marketing to the big department stores," said Shain. "But for the chains that devote some time to this category and give it a good presentation, it will more than pay off."

> '. . . for the chains that devote some time to this category and give it a good presentation, it will more than pay off.'

The back-to-basics movement among drug retailers has shuffled the merchandise mix in many stores but left housewares basically intact. And while chains like Revco and Perry have scaled back on items like small electric appliances and knockdown furniture, they have also beefed up on microwave cookware, closet storage organizers, humidifiers and other products.

At the International Housewares Exposition in January, chain drug buyers found plenty to keep their interest, including standard kitchenware and cookware in new colors and designs, and a slew of entries that should do well in the drug store setting. Those sparking the most interest included water purification systems, humidifiers, anti-plaque and dental cleaning systems and home storage products.

Products to organize the home and office have become especially hot items as consumers try to maximize their space and time. Buyers at the January housewares show saw many, including home storage boxes in new sizes and new, more colorful designs; new types of soft, portable beverage coolers; foldaway ironing boards that hang in closets; and tote bags for children that attach to the back of an automobile seat.

Also finding their way onto drug store shelves in 1989 are more compact home bath whirlpools; larger, more efficient fabric shavers; a new generation of compact automatic coffee makers; personal care appliances and irons that shut off automatically; and new hair removal systems for women.

1988 housewares department productivity in chain drug stores

Category	1988 total sales (add 000)	1988 % increase	% of category sales
Plastic & rubber housewares	$ 489,744	10.9%	21.8%
Personal care	255,842	9.7	11.4
Household supplies	266,246	10.4	11.9
Small electrics	204,976	3.5	9.1
Glass/dishware/cookware	189,637	1.9	8.4
Paper products	171,073	9.8	7.6
House & kitchen gadgets/gourmet	126,805	5.5	5.6
Lighting products	108,508	10.6	4.8
Picture frames/mirrors	74,364	7.9	3.3
Insecticides	67,811	3.1	3.0
Furniture/outdoor furniture	56,133	2.1	2.5
Plant/plant care	51,184	2.8	2.3
Bath/closet	41,386	11.8	1.8
Vaporizers/humidifiers	23,231	4.0	1.0
Giftware	27,427	5.4	1.2
Miscellaneous	90,472	8.2	4.0
Total	$2,244,837		100.0

Source: *Drug Store News* 1989 survey of drug chains

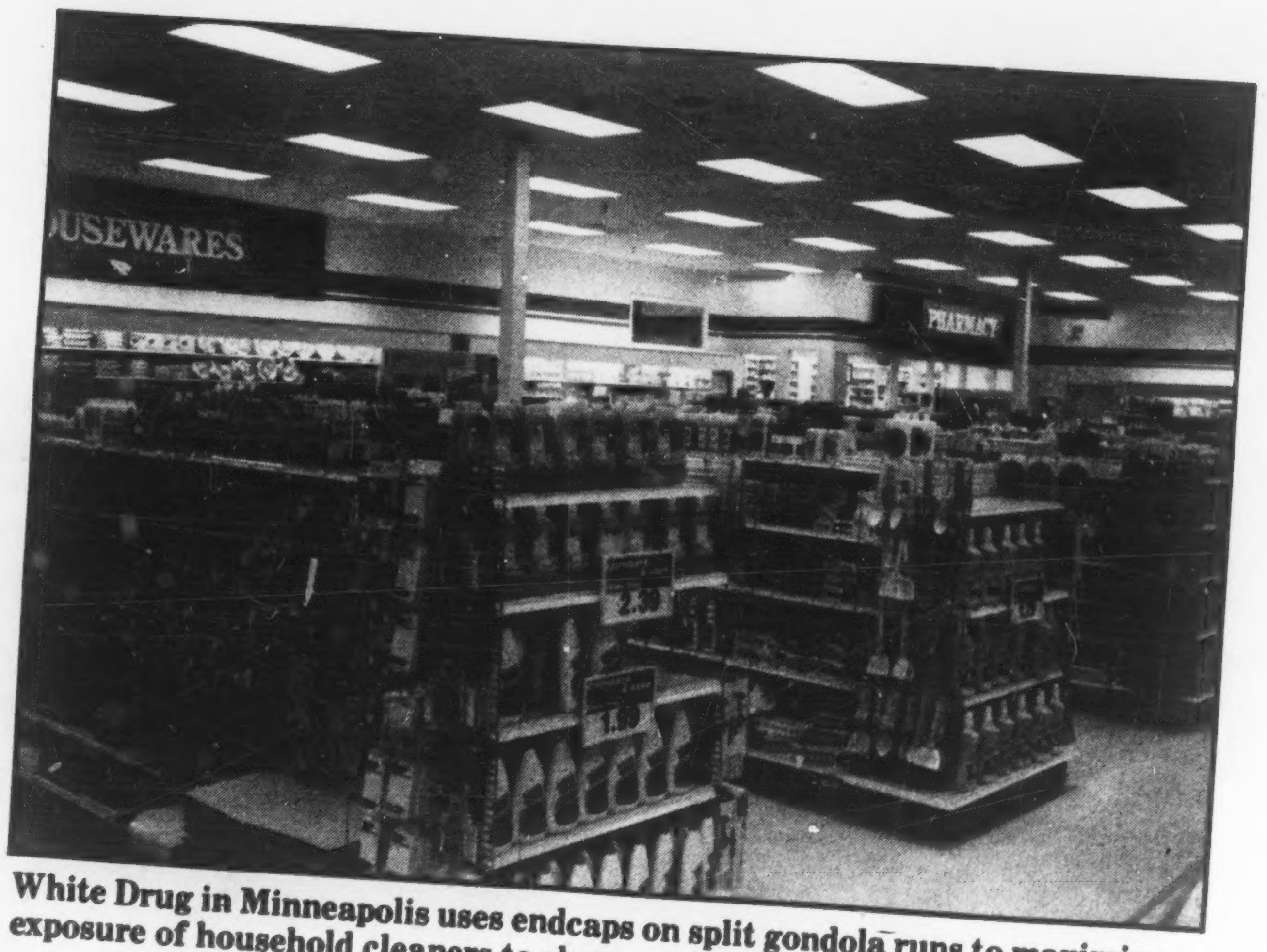
Shoppers look for the scrub brushes, brooms and mops that were advertised in a Pay Less NW circular. These items call for frequent replenishment and generate traffic when promoted.

1988 housewares department highlights at chain drug stores

Chain drug housewares sales	$2,244,837,000
1988 percentage increase	7.8%
Percentage of total chain drug sales	6.2%
Typical gross margins	35% - 45%
Industry profit yield from housewares last year	$790,000,000 - $1,010,000,000
Average annual department turns	3.0

Source: *Drug Store News* survey

Chains are shifting to a basic housewares mix. This Phar-Mor display of microwave cookware, closet storage organizers and kitchen utensils typify the trend.



White Drug in Minneapolis uses endcaps on split gondola runs to maximize exposure of household cleaners to shoppers in mid-store aisle.

Chains enjoy toy sales play from games, cars

At drug chains, perennial favorites such as games, pegged goods and cars led the toy advance.

Few new products stirred the category, as the nation's drug chains managed an 8.5-percent sales gain to $799 million. This outpaced the national 3.9-percent total toy industry increase in 1988, as measured by the Toy Manufacturers Association.

Sales trends noted in the charts on this page ran pretty true to form at Douglas Drug, based in Rhode Island, buyer Paul Chabot told *Drug Store News*. He cited basic games, puzzles and pegged goods as the chain's top performers last year. Douglas sells toys generally under $10 retail, including pegged items at $2 to $3.

It is a year-round business at the chain, worth 24 to 48 feet, depending on the store. When toys are in the larger format, depth rather than product assortment increases.

Just how much space to devote to toys is a decision many chains are wrestling with as they review the importance of all general merchandise categories.

At Kerr in North Carolina, the chain has cut in half its once 56-foot toy selection, preferring instead to give the space to the growing stationery-home office category, toy buyer William Carpenter said. The chain didn't eliminate any toy segments, but did consolidate facings within its existing selection. The enhanced profitability of stationery was the key driving force behind the change, Carpenter said.

Affiliated/Associated toy buyer Richard Glassman said, however, "the opportunity for profits is certainly there [with toys] because there are no giveaways." Furthermore, he said chains can maintain this profitability whether they stock toys everyday or seasonally.

Snyder opts for the latter approach, stocking toys only in the fourth quarter and summer months, according to buyer Rick Burns.

During the past year, basic toys led category sales at Snyder. Burns said the continued proliferation of adult-oriented games, plus games aimed at neglected age groups—like Girl Talk for teenage girls—made the overall game category the primary toy sellers at Snyder. The chain also did well with basic dolls, cars and trucks, while the lack of any strong licensed product meant little movement in this particular area.

Looking ahead, Burns said he expects games to again be strong, along with pre-school toys. Although the upcoming "Batman" movie is receiving considerable press attention, Burns is not confident that this will translate into strong licensed toy sales.

Some toy segments perform better than others, but the department overall appeals to shopping families and helps to extend the store visit.

1988 toy department highlights at chain drug stores

Chain drug toy sales	$799,161,000
1988 percentage increase	8.5%
Percentage of total chain drug sales	2.2%
Typical gross margins	35% - 40%
Industry profit yield from toys last year	$280,000,000 - $320,000,000
Average annual department turns	4.0

Source: *Drug Store News* survey

Vehicles pace toy sales gains

Toy shoppers typically chose traditional and imaginative playthings in 1988. Vehicles, such as toy cars, trucks and trains led sales gains nationwide, followed by activity toys, games and puzzles, the Toy Manufacturers Association's annual survey showed.

The focus on vehicles, which scorched a 31.4-percent sales gain, follows a year in which ride-on toys was the hot category. The story changed in 1988: Ride-on sales skidded 3.8 percent.

In dollar volume, activity toys outpaced vehicles with sales of $1.38 billion. (The dollar value reflects the first billing value for the item, such as at wholesale.) Vehicles came in second with $1.28 billion, followed by games and puzzles at $950 million.

In terms of unit movement, activity toys advanced 14.1 percent, vehicles 12.7 percent and games and puzzles 6.2 percent.

Plush toys, action figures and guns all experienced unit declines.

Activity toys showed large unit advances nationwide. Here, LaVerdiere's wisely makes a big baby care statement by cross merchandising with diapers, wipes and formulas.

1988 toy department productivity in chain drug stores

Category	1988 total sales (add 000)	1988 % increase	% of category sales
Games	$154,042	11.6%	19.3%
Pegged toys	117,006	8.9	14.6
Cars	107,629	13.0	13.5
Boxed toys	97,381	4.9	12.2
Preschool	77,204	6.1	9.7
Dolls	60,073	7.9	7.5
Plush	58,813	3.6	7.4
Hobbies	42,004	3.4	5.3
Miscellaneous/seasonal	85,010	10.4	10.6
Total	$799,161		100.0

Source: *Drug Store News* 1989 survey of drug chains

Vehicles and activity toys led 1988 sales volume

(Sales in millions of dollars reflect first billing value)*

Category	1987 sales	1988 sales	% change
Vehicles, such as battery-operated cars	$ 971	$1276	31.4%
Activity toys, such as model kits and paint sets	1138	1382	21.4
Games and puzzles	830	950	14.5
Infant-preschool	776	867	11.7
Dolls and acccessories	867	966	11.4
Ride-ons, such as tricycles (excludes bicycles)	632	608	(3.8)
Guns	96	80	(16.7)
Action figures	702	523	(25.5)
Plush	1174	687	(41.5)
Total industry	8227	8546	3.9

*First billing value is the first price paid for the item in the U.S., such as at wholesale or port of entry.

Source: Toy Manufacturers Association

Gen'l merchandise category sales rise 5.2%

Core segments perform well in drug chains that give ample space

LOW
LOW
PRICES
Everyday
GREAT AMERICAN

Deep discounters such as Great American, shown here, devote prime space to self-service hosiery displays to appeal to primary female shoppers.

DOUBLE COUPONS
EVERYDAY

Jewelry sells best when merchandised near cosmetics, where ladies can browse comfortably and consider total beauty statements.

PHILIPS
The Shape of Quality Lighting
Center
Lighting

Standard's light bulb center in a Washington, D.C. store features electrical accessories like outlet plugs and extension cords along with soft white and candelabra bulbs.

As drug chains re-emphasize their core health and beauty businesses, the pressure on general merchandise categories to perform has intensified. Earn the space or be culled is the byword of merchants, who are scrutinizing these categories more than ever.

High margins alone are no longer the most important part of the equation. Inventory investment, turns, image and space management have drug store operators focusing their general merchandise efforts on a few core categories. Besides stationery and photo-video, they include batteries, hosiery, sunglasses, jewelry and lighting. Hardware and automotive supplies are also significant contributors at selected chains with the space and willingness to commit to complete assortments.

The general merchandise categories outlined here showed an overall 5.2-percent volume increase to nearly $1.8 billion at chain drug stores in 1988. In all, they accounted for 5 percent of this trade class's volume last year.

Batteries

Battery sales continue to benefit from the popularity of portable audio, toys, flashlights and other devices. At drug chains last year, battery volume rose close to 10 percent to $206 million.

They sell best when merchandised in a permanent display near photo-consumer electronics, at checkstands and in remote locations near the devices they power. High visibility is crucial to generating rapid turns in this high-impulse category. Strong promotional activity, driven by manufacturer rebates, on-pack coupons and value-added offers, also enhance movement.

This all added up to batteries being ranked No. 1 in checkstand profitability, according to *Drug Store News'* Annual Checkstand Merchandising Study. Moreover, buyers expect batteries to be one of the hottest merchandise categories in 1989, with sales expected to jump an estimated 17.5 percent.

Alkalines continue to power sales, with its growth about 12 percent annually, yet drug store operators are finding opportunities with lower-ticket general purpose and super heavy duty cells, which are appropriate for different applications.

Hosiery

Drug chains are keeping a leg up on hosiery sales by using well organized supplier fixtures to clearly segment the many SKUs in this complex category. These hosiery centers are often set upfront for high visibility, or near cosmetics, where women shoppers can get recommendations on how to make a total fashion statement.

Hosiery sales grew nearly 11 percent at drug chains in 1988 to $252 million. That gain is largely attributable

Continued on page 119

1988 general merchandise department highlights at chain drug stores

Chain drug general merchandise sales	$1,780,352,000
1988 percentage increase	5.2%
Percentage of total chain drug sales	5.0%
Typical gross margins	35% - 45%
Industry profit yield from general merchandise last year	$625,000,000 - $805,000,000
Average annual department turns	5.0

Source: *Drug Store News* survey

1988 general merchandise department productivity in chain drug stores

Category	1988 total sales (add 000)	1988 % increase	% of category sales
Pantyhose/soft goods	$ 251,902	10.7	14.1
Sunglasses	229,802	6.6	12.9
Batteries	206,097	9.6	11.6
Hardware	180,963	1.3	10.2
Pet needs	177,763	4.0	10.0
Automotive	176,986	5.2	9.9
Sporting goods	143,783	0.7	8.1
Watches/bands	120,252	4.3	6.8
Home electronics	115,742	5.1	6.5
Yarn/sewing notions	78,775	0.4	4.4
All others	98,287	1.4	5.5
Total	$1,780,352		100.0

Source: 1989 *Drug Store News* survey of drug chains

DRUG STORE NEWS

SECOND CLASS

INSIDE PHARMACY
PHARMACIST EDITION

Vol. 4/No. 5 **The News Journal of Retail Pharmacy** Published by Lebhar-Friedman Inc./May 15, 1989

ANNUAL REPORT OF RETAIL PHARMACY

Inside:

- Rx overview
- Operations survey
- OTC category review

DRUG STORE NEWS®
INSIDE
PHARMACY
PHARMACIST EDITION

is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
212-371-9400
Cable Address: LEBHAFRIED
Telefax: 212-838-9487

VP/Publisher **JAY FORBES**
Editor **BRUCE BUCKLEY**
Executive Editor **Al Heller**
Senior Desk Editor **Paul W. Cockerham**
Special Projects Editor **Elizabeth Parks**
Editor/Inside Pharmacy **Harold Cohen, R.Ph.**
Senior Editor **David Vaczek**
Associate Editor **Susan Ball**
Desk Editor **Bernadette Casey**
Assistant Pharmacy Editor **Barbara White**
Field Editor **Christine Bizzarro**
Bureau Editors:
James Frederick (Senior Editor, Chicago)
Pamela Krein (Associate Editor, Los Angeles)
Ken Rankin (Bureau Chief, Washington)
Deane Evans (Washington)
Associate Publisher/Nat'l Advertising Manager **JILL MANEE**
Area Managers **Dan Bagan, John Kenlon & Larry Krongold**
Advertising Production Manager **Jack Degnan**
Art Director **Bob Brokman**
Graphic Artist **Frank Bele**
Circulation Director **Ken Turtoro**
Circulation List Manager **Vicki White** (ext. 331)
Production Director **Stan Kaufman**
Research Director **Anne Frasciello**
Executive Director Circulation **Ed Nessel**
Group Publisher, *Drug Store News* **C. Reese Musgrave**

Board of Pharmacy Advisers
Marty Belitz Shoppers Drug Mart
Don Bell Thrift Drug Co.
Dick Boyd Longs Drug Stores Inc.
Paul DiGrazia Safeway Stores Inc.
Phillip R. Engle Bergen Brunswig Corp.
Joseph Polastri McKesson Corp.
Saul Schneider K&B Inc.
Bob Shapiro Perry Drug Stores Inc.
Charles W. Trefrey NWDA
Robert King FoxMeyer Corp.

Founder (1900-1981) **Arnold D. Friedman**

President **J. Roger Friedman**
VP/Publication Services **Barry Braverman**
Sr. VP/Group Publisher **James T. deGraffenreid**
VP/Planning **Harry A. Estes**
VP/Publisher **Jay Forbes**
VP/Finance **James Granato**
VP/Human Resources **Richard D. Groberg**
VP/Editorial Director **David Q. Mahler**
Sr. VP/Group Publisher **C. Reese Musgrave**
Treasurer **Barry Okun**
REGIONAL OFFICES
Boston 1 Gateway Center, Newton, MA 02158
617-527-6394
Regional Manager **James Malver**
Chicago 444 N. Michigan Ave., Chicago, IL 60611
312-644-8688
Area Manager **Betsy Ventura**
Los Angeles 606 N. Larchmont Blvd., Los Angeles, CA 90004, 213-464-8321
Area Manager **Tom Flavin**
Washington 117-35 Striley Drive, Ashton, MD 20861,
301-774-3895
Manager, Correspondent **Kenneth Rankin**
Japan Diamond-Friedman Ltd. Chain Store Age Japan 1-4-2
Kasumigaseki, Chiyoda-ku Tokyo, Japan, 504-6750

The Audit Bureau MPA ABP

Publisher of Accounting Today, Drug Store News, Discount Store News, Nation's Restaurant News, National Home Center News, Computer&Software News, Chain Store Age Executive (with Shopping Center Age) and *APPAREL merchandising*. Affiliates: Business Guides Inc. (Directories); Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

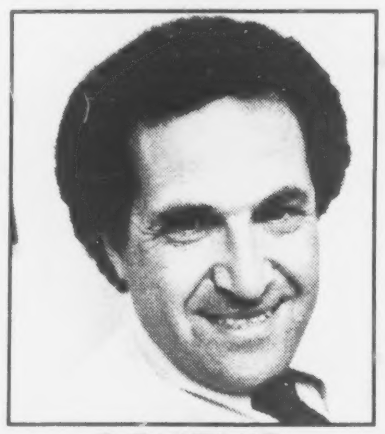
Subscriptions
Call (212) 371-9400, ext. 379 or 419.
Having a problem with your subscription? Send us full details, including the mailing label from the last copy you received, along with your telephone number. We'll do everything possible to solve the problem at once. Write to Circulation Fulfillment Director, Drug Store News, 305 Madison Ave., Suite 535, New York, NY 10165-0079.

Permissions
Materials in this publication may not be reproduced in any form without written permission. Requests for permission should be directed to Jay Forbes, publisher, Drug Store News/Inside Pharmacy, 425 Park Ave., New York, NY 10022.

Drug Store News/Inside Pharmacy (ISSN08919828) is published monthly by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscriptions are available at no charge to qualified retailers in the retail drug industry. Paid subscriptions are available to nonqualifying retailers, wholesalers, manufacturers and others at the rate of $25 per year: $26 in Canada. Foreign subscription: Airmail only $75 per year. Single copy rate: $2. Second-class postage paid at New York, N.Y., and additional post offices. Copyright © 1989 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Please send address changes to Subscription Dept., Drug Store News Inside Pharmacy, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. For change of address, six weeks notice to Subscription Dept., 305 Madison Ave., New York, N.Y. 10165-0079. Give old and new address and zip code. If possible, enclose address portion from cover of previous issue.

Vol. 4, No. 5 May 15, 1989

Pharmacy fights the good fight



COHEN'S CAPSULES

HAROLD COHEN

People continually ask me if it is difficult to write a column twice a month. Fortunately, or unfortunately in some cases, the trials and tribulations of retail pharmacy usually provide me with plenty of material. But as happens to most writers, occasionally I get writer's block. I'll sit down at the computer and end up staring at the screen for several minutes until the proper imagery needed for a column comes to mind.

Experts will tell you to write down the first thing that comes to mind, just to break the block. And, as most writers, once I start to write the column, the thoughts come quickly and my hands usually cannot type them fast enough.

When I started to write this column, I knew I wanted to keep it in step with our *Annual Report of Pharmacy* featured in this issue. I started thinking about how I saw retail pharmacy over the past year, and the only thoughts that came to me were from the movie "Rocky."

"Rocky?" you ask. "What could a movie about a beat-up-fighter-makes-good have to do with pharmacy?"

Well, to tell you the truth, the image I immediately conjured up for pharmacy took place when Sly Stallone was in the slaughterhouse punching out a side of beef hanging in the walk-in refrigerator. You remember the scene. Rocky was using a defenseless piece of meat to take out his aggressions.

In what may seem as my warped sense of reality to many, I see pharmacy in much the same position as that side of beef, a profession getting punched out by Rockys of our industry.

But unlike the movie *Rocky*, I think that pharmacy's ending will turn out a bit differently. The Rockys of our industry will lose the final fight. But, rest assured, there will be many return bouts before it will happen.

Like Rocky, third-party programs were in pretty good shape when they came into the ring this year. And why not? They've had retail pharmacy to train on for the past several years.

But to many third-party programs' surprise, retail pharmacy had already begun its own training program, and was finally coming into the ring with some muscles it never felt before. And the arena was packed with most people rooting for retail pharmacy.

But that didn't deter the third-party Rockys. They began fighting with everything they had, looking for the knockout. Just when it looked like retail pharmacy was going down for the 10 count, it started to get back on its feet and began to flex its muscles.

If pharmacy is going to win the main event, it cannot let up on its training. Third-party programs can be beat, but it will take some work. I think one of the best things to happen to retail pharmacy over the past year is the "freedom of choice" campaign being embraced by most independents and even some notable chains.

I first heard of the "freedom of choice" campaign when Andre Leib, senior vp at Dik Drug, a drug wholesaler based in Burr Ridge, Ill., called me. I thought it was a great idea. After all, I had been touting taking the message directly to the consumer for the past year.

Although initially created to combat mail order, as third-party exclusive contracts became more common, I thought that the freedom of choice campaign was just the ticket pharmacy needed to win its fight.

But pharmacy must never drop its guard. It is fighting a formidable opponent in third-party programs who are throwing some pretty tough punches. But like every bully, they also have a weak point. I believe that ultimately it will be the consumer who will help pharmacy win its fight against weakening third-party reimbursements.

Also, over the past year, we saw a new face in retail pharmacy's corner. Rite Aid, the largest chain in the country, publicly lambasted third-party programs that offered unrealistic reimbursement schedules. If nothing else, that alone gave retail pharmacy the strength to continue fighting third-party programs.

But pharmacy needs more people in its corner while it is still standing. It needs the pharmaceutical manufacturers to revamp their way of doing business. So-called "discriminatory pricing" or "multi-tier pricing" of pharmaceuticals must be abolished.

Nobody minds a good fight as long as the fighting is done on the same level. Selling drugs at a cheaper price to one group over another is like putting a heavyweight in the ring with a lightweight. The only result can be a slaughter.

Pharmacy can be a winner. It must train hard and never give up. It would be a shame if retail pharmacy were to lose the fight for what is fair and honest for the citizens of this country.

TABLE OF CONTENTS. . .

Annual Report of Retail Pharmacy

This is it, the issue you've been waiting for—our Annual Report of Retail Pharmacy. Combined with our popular ***Pharmacy Operations Survey,*** in it you will find out details on what's been going on in your industry. It is crammed with a plethora of information that ranges from the average prescription price at chain and independent drug stores, to reviews of the hottest OTC and Rx categories. . . . . **p. IP15**

Features

Independent Focus

Set against the bluegrass fields of Kentucky in the small Mississippi town of Wickliffe sits Wickliffe Pharmacy, serving a population of about 1,000. You'll meet Fran Grogan, R.Ph., an aggressive young lady who purchased the store almost to her surprise. **p. IP46**

Photo pages

Here are some photos taken at three recent meetings: The NWDA marketing conference in Dallas, FMI Pharmacy Conference in Chicago, and the APhA Annual Meeting in Annaheim, Calif. See anyone you know?. . . . . **pp. IP42, IP44**

Departments

Washington Perspective . . . . **p. IP4**
Statewire . . . . **p. IP6**
Drug Watch . . . . **p. IP8**
Price Scan . . . . **p. IP8**
Health Talk . . . . **p. IP12**
You Be the Judge . . . . **p. IP40**
C.E. Lesson on Peptic Ulcers . . . . **p. IP53**
Rx/OTC Product Updates . . . . **pp. IP50, IP58**

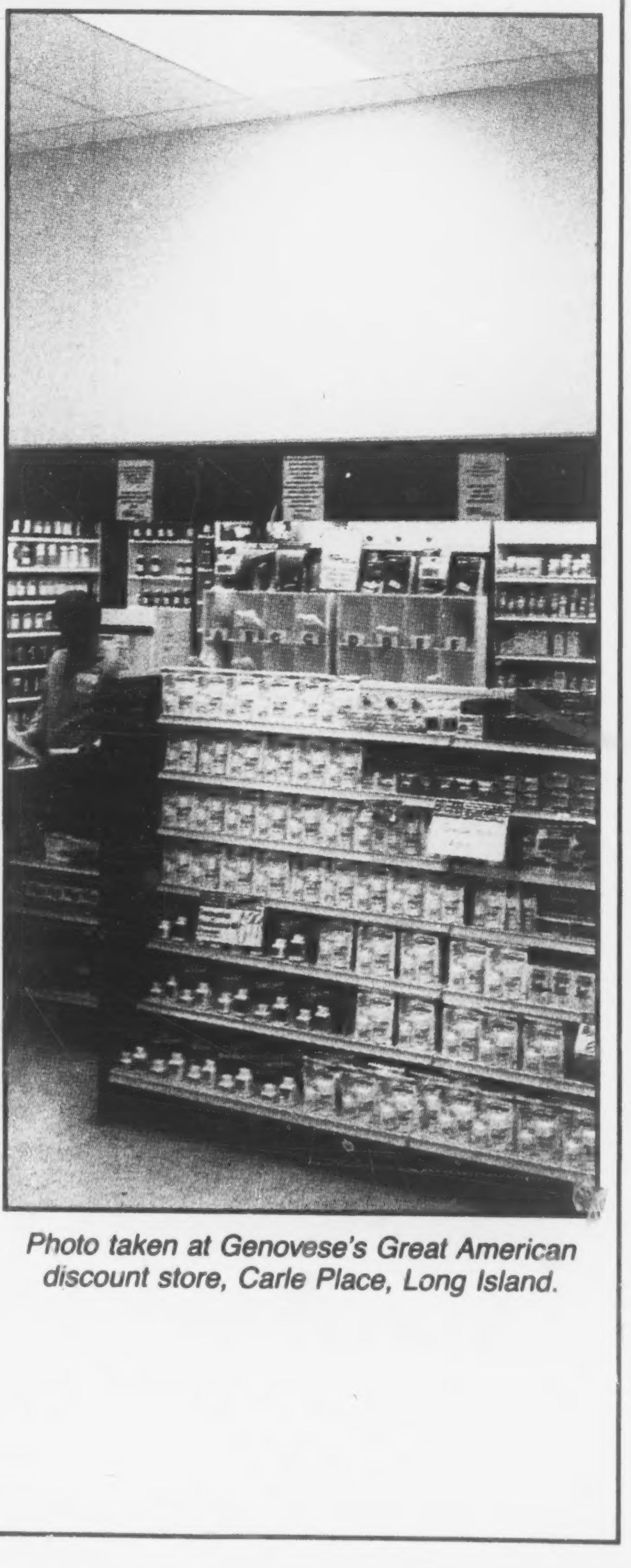


Photo taken at Genovese's Great American discount store, Carle Place, Long Island.

DRUG STORE NEWS®
INSIDE
PHARMACY
PHARMACIST EDITION

Groups crack down on anabolic steroid use

HEALTH TALK
BARBARA WHITE

State pharmaceutical associations in both Kansas and Georgia have recently sponsored legislation which would impose stiffer penalties on parties who misuse or illegally dispense anabolic steroids. Other states have previously instituted similar legislation. On a national level, the FDA has cracked down on anabolic steroid use as well.

Anabolic steroids, a chemical derivative of testosterone, the male sex hormone, were developed in the 1930s to help build tissue and prevent the breakdown of tissue which occurs in debilitating disease. Steroids do have some valid medical uses in treating certain diseases, such as the treatment of anemia, severe burns and some breast cancers.

Yet misuse of the prescription products has become a problem with athletes and body builders who wish to improve their sports performances.

During Congressional testimony for stronger FDA provisions concerning steroid regulation, Mike Lynn, general manager of the Minnesota Vikings, reported that 6 percent of the National Football League's players tested for steroid use in 1987 tested positive.

The FDA estimates the black market for steroids is close to $100 million a year. The Justice Department estimates that one-third of the steroids sold in the United States are illegal imports, while another third are illegally produced in this country.

Although a survey conducted of high school athletes indicated that a small percent actually used steroids, many were ignorant of the harm steroid use could cause.

Even used under a doctor's supervision, steroid use has been linked to liver cancer, testicular atrophy, heart disease, stroke, sterility, birth defects and prostate cancer.

When used without the supervision of a physician, the risk for serious harm increases. Physicians have reported that misuse and overdosage of steroids has been responsible for aggressive and even psychotic behavior. The use of black market products which are injectable carry a danger of infection.

The FDA along with the FBI, the Justice Department and the Customs Service have made significant strides in curtailing the sale of steroids. But as long as ignorance of the dangers about steroid use remain, there will be a market for these products.

A campaign warning against the dangers of steroid use has been targeted to high schools across the country. The FDA has sent brochures and posters. As more state pharmacy associations work to get the word out and the laws stiffer, misuse of these potentially dangerous products could be curtailed.

NCPIE to address medicine misuse by kids

WASHINGTON — The National Council on Patient Information (NCPIE) is refocusing its prescription drug public awareness campaign to spotlight the misuse of medicine among children.

NCPIE, an umbrella group composed of pharmacy associations, public health organizations and other parties concerned about drug education, has so far targeted the bulk of its efforts at improving drug compliance among elderly people.

The shift in emphasis to the problems of young persons became apparent as NCPIE announced its upcoming Seventh Annual Conference on Prescription Medicine Information and Education. The meeting is scheduled for May 8-9 at Washington's Capital Hilton Hotel.

The emphasis on children and their use of Rx drugs reflects the theme of the 1990 conference, "New Frontiers in Patient Education." The agenda will be highlighted by the release of "a major report" on misuse of medicine among children and teenagers, according to NCPIE. Special sessions and workshops on medication information for children and on misuse of medicine by teenagers and children are also planned.

Seniors aren't forgotten

At the same time, meeting planners have not forgotten the older citizen, a key target of NCPIE's patient education initiatives in the past. One workshop will focus on two model education programs which are "Reaching Older Populations Where They Live." Other special sessions will address communicating the risk involved in using Rx medicines, how to promote effective patient medication counseling, how to counsel patients with low literacy skills about their medicines, and other pharmacist counseling concerns.

Food and Drug Administration commissioner Frank Young is scheduled to deliver the key address at the meeting. According to NCPIE, Young will discuss "current FDA issues, actions and perspectives concerning prescription medicine information and education."

In addition, "a poster presentation session will be an important part of the conference," NCPIE officials said. Conference planners are asking interested groups to submit poster "abstracts" for the session.

Steady demand predicted for Rx, OTC drugs

By Deane Evans

WASHINGTON — U.S. Commerce Department economists forecast a bright future for pharmaceutical manufacturers and retailers, predicting that the needs of an aging American population will steadily increase demand for both prescription and over-the-counter medications in 1989 and future years.

In a recent government study, researchers found that persons over 65 make up 12 percent of the U.S. population, but use about 30 percent of all prescription drugs. Moreover, new Medicaid provisions for prescription coverage are expected to fuel continuing annual increases of about 10 percent.

"Development of drug products, delivery systems and dosage packaging aimed at this older generation offers opportunities for expanding sales of both prescription and proprietary drugs," Commerce Department economists said.

According to their research, the average senior citizen uses 10 prescription drugs per year. "Twenty years ago, the average older person spent $42 a year on drugs," they said. Today, that number is roughly seven times higher—about $300 a year.

In addition, over-65 Americans who buy the most medications will make up a larger portion of the U.S. population in coming years, they reported. For example, forecasters expect that by the year 2000, the over-65 segment will command a 20 percent share of the population, and will account for half of all U.S. health care expenditures.

Growth rate

"Health care, now at 6 percent to 8 percent of the Gross National Product, will grow at a rate of 6 percent a year through 1993 because of the health care needed by senior citizens, whose numbers are growing. . . " they said. A recent survey found that about six cents of every dollar currently spent on health care in the United States is spent for pharmaceutical products.

According to the Commerce Department report, U.S. pharmacists filled 1.51 billion prescriptions in 1987. The value of shipments of pharmaceutical preparations for 1987 reached $31.2 billion, an increase of 10.8 percent from the previous year. New prescriptions were up 1 percent, while refills dropped 1 percent.

Estimates for 1988 showed a similar rise of 10.7 percent in total sales to a record pharmaceutical shipment value of $34.6 billion. After adjustment for inflation, the increase for 1988 represents a 3.1 percent rise in shipment value. A 3.2 percent increase after inflation is predicted for this year.

Shipments, sales up

The report revealed that recent growth in pharmaceutical shipments compares favorably with healthy sales increases posted since 1972. For example, for the 1972-1986 period, pharmaceutical shipments value increased at a compound annual rate of 10.3 percent. The average annual increase over the shorter term, 1981-1986, was 10 percent.

For the future, economists expect the increasing availability of generics to significantly impact the predicted scenario for pharmaceuticals. Researchers found that generic sales, now estimated at more than $5 billion, make up about 25 percent of total "pharmaceutical preparations" shipments.

"Between 1968 and 1988, the number of generics on the market has increased threefold," they said. "Companies that market generic drugs now control about 12 percent of the prescription market and are likely to control 30 percent . . . by 1993." One firm reported that about 200 different drugs have patents which will expire by 1993.

"It is estimated that because of patent expirations, approximately $5 billion worth of patented pharmaceuticals will become available for generic dispensing during this period," economists said. "This could expand the generic market $6.5 billion by 1993."

At the same time, they said that profit margins" on generics may slip as competition intensifies and the costs of quality assurance increases.

Trends and forecasts: Drugs

(in millions of dollars)

Item	1985	1986	1987*	1988**	% Change 87-88
Value of all drug shipments:	31,332	34,418	37,794	41,268	9.2
Biological products	2,713	3,086	3,342	3,388	1.4
Medicinals/botanic.	3,283	3,153	3,235	3,316	2.5
Pharm. preps.	25,335	28,179	31,217	34,564	10.7

* Estimated except for exports and imports

** Estimated

Source: U.S. Department of Commerce: Bureau of Census, Bureau of Economic Analysis, International Trade Administration

Retail Rx sales remain strong, but 3rd-party programs cut into profits

Retailers mount a counterattack against exclusive prescription programs

NEW YORK — Third-party prescription programs continue to cyclone their way into the core of retail pharmacy, leaving a higher percentage of prescription sales but lower dollar profits in their wake.

According to the *Drug Store News/Inside Pharmacy* 1989 Pharmacy Operations Survey, while prescription dollar sales rose at both chain and independent drug stores, they rose twice as much at the chains than independents. The independents were able to hold onto a gain, albeit minuscule, in prescription profits, while prescription profits at the chains dropped marginally.

The survey revealed that 1988 prescription sales of the chain stores surveyed rose by 13.5 percent over 1987 sales figures, compared to a 7 percent gain for the independents over the same period. But percent margins at the chains lost ground. The chains surveyed said their margins dropped from 31.9 percent in 1987 to 31.1 percent in 1988. The independents surveyed, on the other hand, reported a slight increase in percent prescription margins, with an increase from 31.1 percent in 1987 to 31.3 percent in 1988.

Although the data could not specifically link third-party program activity to the rise in sales and loss or marginal gain in profits, the survey showed that the percent of prescription department sales attributed to third-party prescriptions rose nearly 6 percent at the chains and by slightly over 5 percent for the independents.

The rise in third-party prescriptions should come as no surprise to retail pharmacists, who have been struggling with diminishing reimbursement schedules over the past several years, culminating with a public announcement by Rite Aid that the Pennsylvania-based chain would not take fill any third-party prescriptions that did not return a fair reimbursement.

Earlier this year Rite Aid surprised everyone in the industry by making public proprietary sales figures in its crusade for better reimbursements.

At about the same time, independents nationwide, and more recently some chains as well, launched a "Freedom of Choice" campaign. Aimed directly at the consumer, the campaign, which is still ongoing, urges consumers not to stand by idly while some third-party vendors dictate where they can or cannot get their prescriptions filled. *(See related coverage, IP22.)*

The campaign arose when some third-party payers began making exclusive deals with chains and groups of independents based primarily on who can offer the third-party program the lowest reimbursement payout on prescription drugs.

In some areas of the country, these contracts virtually locked out chains and independents who could not meet

Continued on page IP 19

Rx'ers working harder than ever

NEW YORK — Ask independent pharmacists how hard they are working and they'll reply "harder than ever before." According to the *Drug Store News/Inside Pharmacy* 1989 Pharmacy Operations Survey, they just may be telling the truth.

The survey showed that the pharmacists who answered the survey at both, chain and independent drug stores, are filling more prescriptions than a year ago. In 1987, a typical chain pharmacist filled, on average, 121 prescriptions a day compared to 134 in 1988, an increase of nearly 11 percent. An average independent pharmacist who answered the survey filled 102 prescriptions a day in 1987 compared to 107 in 1988, an increase of 5.1 percent.

But the real story here is the

See **Hard workers,** *page IP17*

Financial profile of typical prescription department

Annual prescription sales of an average prescription dept.

	Chains			Independents		
	1987	1988	% change	1987	1988	% change
Average	$644,740	$690,189	7.0%	$752,575	$854,406	13.5%
Median	$635,277	$600,000	–5.6	$674,000	$815,000	20.9

Percentage of store sales accounted for by the Rx dept.

	Chains			Independents		
	1987	1988	% pt. diff.	1987	1988	% pt. diff.
Average	70.9%	72.5%	1.6%	33.4%	34.3%	0.9%
Median	70.0	72.5	2.5	31.5	33.4	1.9

Percentage margin maintained by average Rx dept.

	Chains			Independents		
	1987	1988	% pt. diff.	1987	1988	% pt. diff.
Average	31.1%	31.3%	0.2%	31.9%	31.1%	–0.8%
Median	30.0	30.0	0.0	40.0	31.2	–8.8

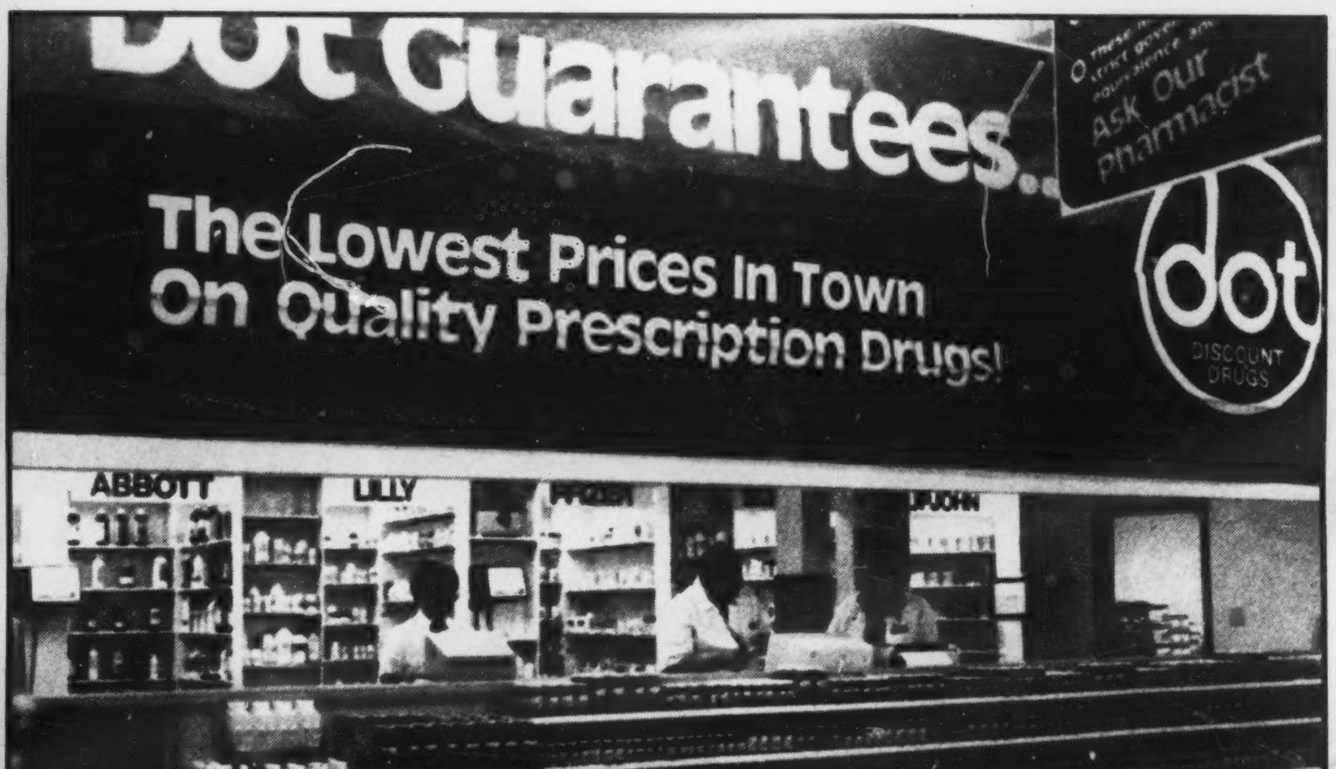
Dollar inventory at cost required for an average Rx dept.

	Chains			Independents		
	1987	1988	% change	1987	1988	% change
Average	$72,874	$83,007	13.9%	$69,390	$78,160	12.6%
Median	$60,000	$70,000	16.7	$61,000	$69,000	13.1

Number of turns on Rx inventory on an annual basis

	Chains			Independents		
	1987	1988	% change	1987	1988	% change
Average	7.5	7.7	2.3%	8.0	8.3	3.1%
Median	8.0	8.0	0.0	7.2	7.2	–0.4

Source: *Drug Store News/Inside Pharmacy* 1989 Pharmacy Operations Survey



Deep discounters like Dot Drugs have created a stiff competitive climate for pharmacy operators in markets already saturated with traditional chain drug stores.

PICK-UP HERE
JUST SAY "NO."
MULTIPLES
COMPAFISH OIL

Although prescription sales were up at chain drug stores in 1988, prescription department profits dropped marginally due, in part, to increased third-party activity.

Hard workers fill more prescriptions: survey

Continued from page IP15

number of hours being worked by those pharmacists. The survey uncovered that, although an average independent pharmacist works shorter hours than a average chain pharmacist, the number of hours worked in a day over the previous year have increased while an average chain pharmacist's hours have decreased over the past year.

According to the survey, chain pharmacists who responded to the survey work an average of 9.3 hours, down 3.1 percent from the year before when an average chain pharmacist's workday consisted of 9.6 hours. An average independent pharmacist worked 8.8 hours a day in 1988 compared to 8.6 hours in 1987 for an increase of 2.3 percent. There was no change in the number of days per week worked by either the chain or independent pharmacist.

There was, however, a dramatic increase in the number of pharmacy technicians being used at both chains and independents. The survey showed a 21.4 percent increase in the number of pharmacy technicians working at chains compared to a 13.3 percent increase in technicians working at a typical independent.

Prescription department summary

All drug stores

	1987	1988	% change
Consumer Sales ($ millions)	$23,454	$25,213	+ 7.5
Scripts (millions)	1,574	1,587	+ 0.8
Average Rx price	$ 14.90	$ 15.88	+ 6.6
Scripts/store/year	29,168	29,296	+ 0.4
Stores	53,963	54,172	+ 0.4

Chain drug stores

Consumer sales ($ millions)	$ 9,428	$10,717	+13.7
Scripts (millions)	705	755	+ 7.0
Average Rx price	$ 13.37	$ 14.19	+ 6.1
Scripts/store/year	36,830	38,018	+ 3.2
Stores	19,142	19,859	+ 3.7

Source: *Drug Store News* survey

The survey showed a 21.4-percent increase in the number of pharmacy technicians working at chains, compared to a 13.3-percent increase in technicians working at a typical independent.

Inventory Profile of typical prescription department

Percent of drug inventory: branded vs. generic

		Chains			Independents		
		1987	1988	% pt. diff.	1987	1988	% pt. diff.
Average	Branded	80.3%	76.4%	−3.9%	73.0%	66.7%	−6.2%
	Generic	19.7	23.6	3.9	27.1	33.2	6.1
Median	Branded	81.0	77.0	−4.0	75.0	66.5	−8.5
	Generic	22.5	23.0	0.5	25.0	33.5	8.5

How drug chain inventory is purchased: corporate vs. store

		1987	1988	% pt. diff.
Average	Corporate	38.4%	38.9%	0.5%
	Store	61.6	61.1	−0.5
Median	Corporate	15.0	15.0	0.0
	Store	85.0	85.0	0.0

How drug chain Rx inventory is delivered

	1987	1988
1. From manufacturer directly to store	7.0%	7.0%
2. From manufacturer to company warehouse	31.0	31.0
3. From wholesaler directly to store	47.0	47.0
4. From wholesaler to company warehouse	15.0	15.0
5. Through a diverter	0.0	0.0

Source: *Drug Store News/Inside Pharmacy* 1989 Pharmacy Operations Survey

Prescription profile of typical prescription department

Number of prescriptions filled per day by average pharmacist

	Chains			Independents		
	1987	1988	% change	1987	1988	% change
Average	121.0	133.7	10.5%	101.6	106.8	5.1%
Median	95.0	100.0	5.3	100.0	112.5	12.5

Ratio of new to refilled prescriptions

	Chains			Independents		
	1987	1988	% pt. diff.	1987	1988	% pt. diff.
Average *New*	55.9%	56.4%	0.5%	50.2%	51.2%	1.0%
Median	54.6	56.2	1.6	50.0	55.0	5.0
Average *Refills*	44.1%	43.6%	−0.5%	49.8%	48.8%	−1.0%
Median	45.4	43.8	−1.6	50.0	45.0	−5.0

Percentage of prescription dept. sales accounted for by third party

	Chains			Independents		
	1987	1988	% pt. diff.	1987	1988	% pt. diff.
Average	27.4%	33.3%	5.9%	35.0%	40.3%	5.3%
Median	31.0	36.5	5.5	26.5	29.0	2.5

Percentage of stores with pharmacy computer systems

	Chains			Independents		
	1987	1988	% pt. diff.	1987	1988	% pt. diff.
Average	93.4%	97.9%	4.5%	90.9%	100.0%	9.1%
Median	100.0	100.0	0.0	100.0	100.0	0.0

Percentage of stores using "black boxes"

	Chains			Independents		
	1987	1988	% pt. diff.	1987	1988	% pt. diff.
Average	6.3%	6.9%	0.6%	14.3%	45.2%	30.9%
Median	6.3%	6.9%	0.6%	14.3%	45.2%	30.9%

Percentage of third-party prescriptions filled on paper claims

	Chains			Independents		
	1987	1988	% pt. diff.	1987	1988	% pt. diff.
Average	32.9%	24.6%	−8.3	61.6%	48.4%	−13.2%
Median	20.0	15.0	−5.0	82.5	45.0	−37.5

Percentage of third-party prescriptions filled electronically/tape to tape

	Chains			Independents		
	1987	1988	% pt. diff.	1987	1988	% pt. diff.
Average	67.1%	75.4	8.3	38.4	51.6	13.2%
Median	80.0	85.0	5.0	17.5	55.0	37.5

Source: *Drug Store News/Inside Pharmacy* 1989 Pharmacy Operations Survey

'Take-charge' consumers boost OTC profits

With annual sales of over-the-counter drugs nearing the $20 billion level, Americans' tendency toward self-medication shows no sign of waning

Consumers are developing a "take-charge" attitude concerning their health, according to industry experts, and the trend is translating into profits for retailers on OTC sales.

A California research firm estimates that annual sales of OTC drugs will reach between $18 and $23 billion by 1995. New product development, more Rx-to-OTC switches and greater consumer interest in health and preventative medicine are factors which will contribute to the growth.

Consumers are self-medicating to a great degree, according to the Proprietary Association. The association estimates that six out of every 10 medications found in consumers' medicine chests are OTC products. One survey estimates that American consumers treat four times as many common health problems with non-prescription medicines as prescription drugs.

"Consumers have moved away from expecting a cure-all from their doctors," said Jack Walden, a spokesperson for the Proprietary Association. "There is a return to doing more for ourselves."

Consumers are increasingly turning to self medication for those minor health problems they once might have taken to a physician to treat, says Walden. "The average OTC [remedy] still costs about $2.50, and you can still cure a headache for less than a dime. When compared against the increased cost of doctor visits and prescription drugs, consumers are turning to OTCs to treat minor health problems," he said.

Walden said that the great number of OTC drugs which once held prescription status increase consumer confidence in the products. "There are 200 brand name drugs now available over the counter which were once only available by prescription," said Walden. "More and more of today's OTC drugs are yesterday's prescription drugs. It gives consumers more confidence that they are dealing with potent, effective medications."

The power of media

A watchful and interested consumer is also affected by news of health developments. Journal studies which filter to the consumer press generate public interest in a number of categories.

For example, news reports that oat bran was effective in lowering cholesterol levels generated sales of the dietary supplement in many drug stores.

Similarly, the medical jury may still be out on whether aspirin is useful in stabilizing the condition of heart patients, but manufacturers have learned that the studies have a definite impact on sales.

The same case may be made for fish oils. Although retailers claim they are not selling as well as when medical journal reports initially claimed they prevented heart attacks, they have become a regularly stocked item in most drug stores.

But a media event doesn't always turn into a retail bonanza. Consumers watched with interest as popular television personality Oprah Winfrey lost a considerable amount of weight virtually in front of television viewers' eyes. Retailer expected sales of diet aid products to surge following the debut of the new slimmed-down Oprah. Instead, retailers reported no such stampede to diet aid sections.

Consumer interest has sparked government recognition of the importance of self medication, according to Walden. That trend is evidenced by the joint symposium which the FDA sponsored with the Proprietary Association last year addressing the issue of self medication.

1988 OTC/proprietaries department highlights at chain drug stores

Chain drug OTC/proprietaries sales	$5,361,565,000
1988 percentage increase	9.8%
Percentage of total chain drug sales	14.9%
Typical gross margins	30%-35%
Industry profit yield from OTC/proprietaries last year	$1,610,000,000-$1,880,000,000
Average annual department turns	5.0

Source: *Drug Store News* survey

1988 OTC/proprietaries department productivity in chain drug stores

Category	1988 total sales (add 000)	1988 % increase	% of category sales
Cough/cold	$ 882,445	10.8	16.5
(tabs/caps/1 oz.)	535,542	11.0	10.0
(liquids)	346,903	10.3	6.5
Analgesics	636,464	12.5	11.9
Dental care	541,992	10.8	10.1
Vitamins/nutritionals	518,159	7.2	9.7
Baby needs	424,121	10.3	7.9
Laxatives	304,038	8.0	5.7
Antacids	287,689	9.4	5.4
First aid products	281,201	6.8	5.2
Eye care/lens care	275,481	12.0	5.1
Feminine hygiene	267,372	11.0	5.0
Family planning	266,523	15.8	5.0
Footcare products	191,833	7.3	3.6
Diet aids	123,703	6.8	2.3
Antidiarrheal/anti-nausea	81,762	5.7	1.5
Home health care	79,020	5.6	1.5
Acne preparations	78,345	6.3	1.5
Sleeping aids	32,614	3.0	0.6
Wets & dries	30,682	3.7	0.6
Asthma inhalers/tabs/liquids	15,598	3.2	0.3
Miscellaneous	42,498	7.2	0.8
Total	$5,361,541		100.0

Source: *Drug Store News* 1989 survey of drug chains

One survey estimates that American consumers treat four times as many common health problems with nonprescription medicines as prescription drugs.

Plaque-, tartar-busters boost oral care

Pay Less
Fixodent
Plax
GIANT
Discount DRUG
Aquafresh
Colgate
Denquel
OscoDrug
SUPER SPECIALS
Crest Toothpaste
Johnson & Johnson Waxed Dental Floss
Oral-B Ultra Toothbrush
CVS
BRAND NAME SAVIN
Crest
SCOPE
Lucky
Still the Low Price Leader

Oral care market in the U.S.

(Factory sales: 1988)

Toothpaste	$1,300 million
Mouthwash	505 million
Denture cleanser	145 million
Denture adhesive	100 million

Source: Frost & Sullivan

Name brands and effective tartar-and-plaque controls were key elements in oral hygiene ads.

Analysts say more consumers are brushing their teeth using anti-plaque and anti-tartar products, driving the oral care market. This trend is occurring despite FDA queries on the products' effectiveness.

In 1984, when the first major toothpaste claiming effectiveness in fighting plaque and tartar was introduced, anti-plaque/anti-tartar products had a 4 percent share of the dental care market. By 1988, the products had gained a 35 percent share of the category.

Despite FDA objections to some manufacturers' claims that their oral rinses fight gingivitis and plaque, sales of these products have grown as well. The FDA maintains there is no hard evidence that toothpaste can curb gingivitis or that oral rinses can fight plaque and gingivitis.

Still, consumers don't seem as skeptical as the FDA. Forecasts by Frost & Sullivan, a market research firm, estimate that anti-plaque/anti-tartar toothpastes will reach a market share of 40 percent by 1993, and oral rinses that boast those benefits will capture a 42 percent market share.

The shift in product introductions from those which fight cavities to products which fight tartar and plaque reflects a trend toward tailoring products to an aging population, according to the Frost & Sullivan report.

The report also indicated that products introduced to the children's market have been "fun" products, rather than traditional therapeutic products. Pump products have also given a lift to the category. Pumps, said the report, account for 25 percent of total unit sales, even though they are more pricey than standard tubes of toothpaste.

FIRST RESPONSE
5-Minute Pregnancy Test
QTest
e.p.t plus
Rebate SAVE $3
Ovulation Predictor Test

Diagnostic testing kits continue to gain consumer acceptance, particularly as they incorporate newer technology and become simpler to use.

Technology boosts popularity and profits of home diagnostics

Technological advances in diagnostic testing kits for in-home use have made the kits more popular with consumers and the category more profitable for retailers.

Retailers report that despite the high price tag of blood glucose monitors, the machines are growing in popularity with diabetic patients who wish to have greater control and knowledge of their conditions. Patients, they say, are moving away from monitoring their urine with the strip tests in favor of the more exact measurement of the glucose by blood.

Using blood glucose monitors, diabetics can read their blood sugar levels as many times a day as they wish and adjust their sugar intakes and food levels based on the findings.

Sales of the monitors reached $114 million in 1988, according to Pipeline Reearch. Part of the popularity in the category was due to manufacturers' rebates offered by some companies which made the cost affordable to more diabetic customers than ever before.

Retailers have found that diabetic customers are loyal, so offering the monitors at reasonable prices pays off in repeat business.

Sales of pregnancy kits got a boost from some new introductions to the market which are simpler and easier to use than tests previously available to customers.

A.C Nielsen reported a 27-percent sales growth in pregnancy and ovulation kits during the past year. Increased consumer interest in monitoring their bodies have contributed to the success of the category, according to some retailers.

In this area too, manufacturers' rebates have driven the category. Some manufacturers have offered mail-in rebates or peel-off coupons, dropping the price of the kits.

Chains are frequently placing the kits near the pharmacy checkstand, according to a *Drug Store News/Inside Pharmacy* pharmacy checkstand study. The study showed that 62 percent of the chains surveyed placed at-home diagnostics at the pharmacy checkstand.

Most pharmacists agreed that customers usually have questions concerning the diabetic testing kit category as well as the pregnancy and ovulation kit category.

Concern over correct consumer use of pregnancy and ovulation kits was heightened when a *New England Journal of Medicine* article reported that women using the products have a one-in-10 chance of getting an incorrect reading due to improper use of the kit.

Kit manufacturers attuned to the patients' concerns are recognizing the pharmacist's role in recommending these products. Some manufacturers are offering training in the use of their products to pharmacists.

Gloves, litigation hit Moore's income for 4th quarter and year

NEW BRITAIN, Conn. — Moore Medical Corp. cited unusual items as the cause for losses in the fourth quarter and year ended Dec. 31.

In fourth-quarter 1988, the company had charges to income of $12.4 million, resulting in a net loss of $8.03 million, or $2.85 per share, for the quarter, and a net loss of $6.1 million, or $2.17 per share, for the year.

The $12.4 million in non-recurring unusual charges were taken for costs and reserves associated with the previously reported latex examination-glove inventory and purchase commitments at prices and quantities above current market conditions, as well as previously reported litigation in connection with purchases made from 1980 to 1982.

Fourth-quarter sales were $56.7 million, compared with $58.5 million for the like period a year ago. Sales for the year were $229.1 million, versus $232.2 million last year.

Mark E. Karp, president and chief operations officer, said the decrease in 1988 sales was primarily attributable to previously reported mainframe computer failures that occurred in the first half of the year. "With upgraded hardware, new systems and additional staff in place," he said, "I have high confidence in our computer system's capabilities."

Added Jerald K. Rome, chairman and ceo, "Affirmative steps have been taken to prevent recurrence of the types of problems we experienced in 1988. With these unfortunate occurrences behind us, we look forward to returning to much-improved levels of growth and profitability."

Bindley's debt restored to a single "B" by S&P

INDIANAPOLIS — Standard & Poor's removed Bindley Western Industries from "Credit Watch" status and restored its 8⅝ percent convertible subordinated debt to a single "B" rating, said Thomas J. Salentine, Bindley Western executive vp and cfo.

Salentine cited a statement Standard & Poor issued indicating that the bankruptcy of Revco, a major Bindley Western customer, "should have less serious business and financial implications for the company than previously thought," and said Bindley Western's management was pleased with the rating agency's decision.

Albertson's sales and earnings climb for 19th consecutive year

BOISE, Idaho — Albertson's posted its 19th consecutive year of increased sales and earnings.

For the 14-week fourth quarter ended Feb. 2, sales were $1.89 billion, a 24.2-percent gain over the $1.52 billion reported for last year's 13-week fourth quarter. Compared on a 13-week basis, sales increased 15.1 percent.

Net earnings for the quarter rose 28.7 percent, to $51.5 million, or 78 cents per share; from $40.3 million, or 61 cents per share, in the comparable year-earlier period.

Same-store sales, on a comparable 14-week basis, increased 7.5 percent.

Year-end (53-week period) sales increased 15.4 percent, to $6.77 billion, versus $5.87 billion in the 52-week period a year ago. Net earnings were $162.5 million, or $2.44 a share, a 29.5-percent gain over the $125.4 million, or $1.86 per share, reported last year.

For the year, gross margin was 22.3 percent, compared with 22.4 percent in 1987. Operating and administrative expenses as a percentage of sales decreased to 18.5 percent from 18.7 percent.

"We are particularly pleased with the same-store sales increases achieved during the year," said Warren E. McCain, Albertson's chairman and ceo. "Our efforts to reduce operating and administrative expenses have been successful."

Drug Store News (ISSN 0191-7587) is published biweekly—every other Monday, monthly in December—by Lebhar-Friedman Inc., 425 Park Ave., New York, N. Y. 10022. Subscription rates: in-field subscribers, retailrs and wholesalers, one year (24 issues) $19.50; two years $35. Manufacturers and their representatives $45; schools, libraries and all other out-of-field subscribers $95. Single copy rate $4. Foreign subscriptions: airmail only $125 per year.

Second-class postage paid at New York, N.Y. and additional mailing offices. Copyright © 1989 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Please send address changes to Subscription Dept., Drug Store News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. For change of address six weeks notice to Subscription Dept., 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 11, No. 10 May 15, 1989

Drug Emporium's net up 73 percent; sales, 26 percent, for '88 fiscal year

COLUMBUS, Ohio — Drug Emporium posted a 73-percent increase in net income on a 26-percent gain in sales for the fiscal year ended Feb. 28.

Gary Wilber, president of the deep-discount chain, said sales rose 12 percent at stores open throughout both 1987 and 1988. He added that the 174-store chain is looking forward to a banner new fiscal year, with sales expected to top $1 billion and stores, including the franchise network, to pass the 200-unit milestone.

Net income for the year was $8.0 million, up from $4.5 million. Earnings per share were $1.32, compared with 91 cents last year. Net earnings benefitted about 12 cents per share from the sale of the company's minority interest in one of its franchisees. Year-end sales increased to $406.7 million from $322.2 million.

For the fourth quarter, net income reached $3.1 million, or 47 cents per share, versus $1.8 million, or 36 cents per share, for the comparable period a year ago. Net sales for the quarter were $112.7 million, compared with $96.5 million for the year-earlier period.

		STOCK PRICE							EARNINGS/SHARE			P/E	DIVIDENDS	
		From 04/14/89 - 05/01/89							Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change		Latest P/E Ratio	Indicated Dvd. Rate	
					Change		52-Week							
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low		Amt.	Pct.		Amt.	Yield
-	-	$	$	$	$	%	$	$	$	$	%	-	$	%
Chain Store transactions														
Am Stores	ASC	62.13	60.00	61.88	1.88	3.13	65.00	47.63	2.54	-1.65 f	-39.4	24.4	1.00	1.6
Arbor Drugs	ARBR	21.25	20.25	20.75	-.25	-1.19	21.25	11.00	1.05	.32 s	35.2	16.9	.20	1.0
Big B	BIGB	11.13	10.75	11.13	.38	3.49	15.88	10.75	.91	-.03 f	-3.2	12.2	.16	1.4
Fay's Drug	FAY	11.38	10.00	11.13	.88	8.54	12.00	7.84	.73	.32 f	78.0	15.2	.20	1.8
Genovese Drug	GDX	11.88	11.00	11.63	.50	4.49	12.03	8.75	.83	.20 f	31.7	14.0	.22	1.9
Longs Drg Strs	LDG	37.00	35.25	36.13	1.13	3.21	38.50	33.63	2.75	.42 f	18.0	13.1	.88	2.4
Medicare Glaser	MGCO	5.75	5.75	5.75	.00	.00	5.88	1.88	-.10	-.23 n	-100.0	NE	.00	.0
Medicine Shoppe	MSII	28.50	26.25	28.00	2.00	7.69	28.50	20.75	1.11	.30 q	34.1	23.7	.10	.4
Perry Drug	PDS	12.50	9.50	11.25	1.00	9.76	13.50	5.25	-3.14	.18 q	NE	NE	.00	.0
Rite Aid Corp	RAD	36.75	33.00	34.63	-.25	-.72	39.00	29.13	2.30	-1.11 f	-32.6	15.1	.82	2.4
Walgreen Co	WAG	40.13	37.25	39.88	1.88	4.93	40.13	27.13	2.10	.43 s	22.4	17.0	.68	1.7
Wholesaler's transactions														
Alco Hlth	AAHS	25.50	23.63	24.25	-1.25	-4.90	30.25	18.75	1.55	-.11 q	-7.4	17.6	.06	.2
Bergen Bruns	BBCA	29.50	28.00	28.00	-1.00	-3.45	30.25	18.72	1.78	.89 s	67.9	12.7	.32	1.1
Bindley Wstn	BIND	8.13	7.75	8.13	.38	4.84	10.00	6.63	.58	.22 q	68.8	15.0	.00	.0
Cardinal Distrb	CDIC	22.25	19.50	22.00	2.25	11.39	22.25	12.28	1.21	.48 n	45.7	14.4	.08	.4
Durr Fillauer	DUFM	20.00	18.63	19.75	.88	4.64	20.00	11.88	.92	.09 q	9.7	19.4	.24	1.2
Ketchum	KCH	6.13	5.75	5.88	-.13	-2.08	12.00	4.75	-4.73	-1.44 q	NE	NE	.00	.0
McKesson Cp	MCK	33.00	31.75	32.88	.50	1.54	35.88	29.63	2.30	.07 f	3.1	14.3	1.44	4.4
Moore Med	MMD	13.38	11.75	11.88	-.25	-2.06	15.75	9.00	-2.19	-3.65 f	-100.0	NE	.00	.0
Owens Mincr	OMI	14.00	11.75	12.00	-1.75	-12.73	15.88	11.19	1.00	-.07 q	-7.4	13.6	.26	2.2
Manufacturer's transactions														
Abbott Labs	ABT	55.63	53.63	55.00	-.50	-.90	55.75	42.88	3.33	.53 q	18.2	15.9	1.40	2.5
Am Home Prod	AHP	92.00	87.63	91.50	4.00	4.57	92.00	70.38	6.38	.66 q	11.2	13.9	3.90	4.3
Baxter Intl	BAX	19.88	18.63	19.63	.63	3.29	22.50	16.25	1.31	.15 q	12.6	14.6	.56	2.9
Block Drugs Co	BLOCA	34.00	33.00	33.63	1.63	5.08	35.50	25.75	2.29	.31 n	14.2	13.5	.64	1.9
Bolar Pharm	BLR	27.50	25.75	27.00	.75	2.86	27.88	16.38	1.51	.60 f	65.9	17.9	.04	.1
Bristol-Myers	BMY	48.88	47.00	48.88	.50	1.03	48.88	38.13	2.88	.38 q	14.7	16.5	2.00	4.1
Carter-Wallace	CAR	42.75	40.50	42.25	1.13	2.74	43.00	31.88	2.50	.44 n	18.0	14.6	.68	1.6
Forest Labs	FRX	30.88	28.63	29.88	-.13	-.42	31.75	16.25	.96	.23 n	25.3	26.2	.00	.0
ICN Pharm	ICN	6.63	5.63	6.50	.13	1.96	7.75	5.63	.23	1.82 q	NE	50.0	.00	.0
Lee Pharm	LPH	4.75	4.00	4.63	.50	12.12	7.13	3.75	-.23	.40 q	NE	NE	.00	.0
Leiner P Nutri	PLI	18.00	17.38	17.75	.25	1.43	18.00	9.13	.86	.10 n	10.9	17.4	.00	.0
Lilly Eli Co	LLY	54.88	51.94	54.25	1.63	3.09	54.88	35.94	2.67	.46 f	20.8	20.3	1.35	2.5
Marion Labs	MKC	27.00	24.38	25.13	-.75	-2.90	27.00	15.25	.96	.39 n	44.3	19.8	.36	1.4
Merck & Co	MRK	68.88	66.25	67.38	.13	.19	68.88	48.78	3.05	.80 q	33.1	20.9	1.64	2.4
Morton Thiokol	MTI	47.75	45.00	45.50	-1.25	-2.67	50.00	35.63	3.33	-.82 n	-24.8	18.3	.92	2.0
Mylan Labs	MYL	9.00	8.25	8.38	-.13	-1.47	13.25	7.50	.70	-.06 n	-9.0	13.7	.10	1.2
Newport Pharm	NWPH	5.56	4.69	5.13	.69	15.49	6.56	1.75	-.45	-.42 q	NC	NE	.00	.0
Par Pharm	PRX	9.13	7.88	8.25	-.50	-5.71	18.50	7.88	.99	-.12 q	-11.3	8.8	.04	.5
Pfizer Inc	PFE	62.25	59.63	61.50	1.75	2.93	62.25	48.25	4.70	.56 q	13.1	12.8	2.20	3.6
Robins, AH	QRAH	28.00	26.38	27.25	.50	1.87	28.38	21.88	2.42	69.95 f	NE	11.3	.00	.0
Rorer Group	ROR	43.50	40.13	40.13	-.50	-1.23	48.25	27.75	1.96	-.55 q	-21.6	20.1	.80	2.0
Scherer RP Cp	SCHC	33.38	30.13	33.38	2.88	9.43	33.38	15.63	1.04	-.48 n	-48.5	65.4	.40	1.2
Scher Plough	SGP	68.63	65.25	66.88	1.25	1.90	68.63	45.25	3.48	.77 q	26.4	18.1	1.80	2.7
Squibb Corp	SQB	77.50	73.25	76.38	2.00	2.69	77.50	55.50	4.30	.85 q	23.3	17.0	2.00	2.6
Syntex Corp	SYN	48.00	43.13	46.63	3.13	7.18	48.00	32.13	2.51	.42 s	18.2	17.1	1.50	3.2
Upjohn Co	UPJ	30.00	28.88	29.38	-.38	-1.26	34.50	26.88	1.90	.24 q	14.0	15.1	.88	3.0
Warner-Lambrt	WLA	89.75	84.75	87.25	2.00	2.35	89.75	59.88	5.00	.92 q	21.1	16.6	2.56	2.9
Zenith Labs	ZEN	1.88	1.50	1.63	-.25	-13.33	2.75	1.00	-.56	-.49 n	NE	NE	.00	.0
Other Retailer transactions														
Albertson's Inc	ABS	44.63	42.00	44.00	1.63	3.83	44.63	28.38	2.44	.56 f	29.8	18.0	.80	1.8
K mart Cp	KM	39.88	37.50	37.88	-1.50	-3.81	40.38	30.25	4.00	.60 f	17.6	9.5	1.64	4.3
Melville Cp	MES	41.38	39.50	40.88	-.13	-.30	42.75	31.00	1.63	-1.12 q	-40.6	24.9	1.30	3.2
Penney, JC	JCP	56.50	53.13	[illegible]	3.13	5.90	56.50	43.50	6.02	1.91 f	46.5	9.3	2.24	4.0

All data are based on sources believed to be reliable, but its accuracy is not guaranteed.
Every effort will be made to correct errors, when discovered, in future issues.

FOOTNOTES

NA	Item not applicable to this type of stock.	q	First quarter
NC	Data required for calculation currently incomplete in our files.	s	First six months
NE	Negative earnings invalidate calculations.	n	First nine months
NM	No meaningful figure.	f	Fiscal year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219